



INDUSTRY BEST PRACTICES

There's no such thing as second place.

Not many people usually remember who crossed the finish line after the winner. But people definitely notice and remember when you don't hit your sales numbers, go over budget, or come up red in the profitability column. Not a good time to have the spotlight shining on you.

For foodservice manufacturers to gain the most bang for their bucks, it's imperative that they understand where the breakdowns in the contract management and trade spending processes occur, where the greatest inefficiencies lie, and what steps they can take to improve their spending practices to grow their company most profitably. They need to employ best practices to help take greater control over their spending, minimize the trade spending "tolls or greens fees," and manage their trade spending more strategically to drive profitable volume.

Through our Best Practices and Process Development engagement, we're able to gain a deep understanding of your current program structures and trade spending processes to pinpoint opportunities for you to improve your existing processes, define ideal roles and responsibilities, and recommend the most appropriate tools and solutions. We'll help you enhance current practices and provide alternative ways to approach your trade spending to significantly improve your return on investment for all sales and marketing initiatives.



Best practices identified.

Blacksmith Applications' recent work with manufacturers identified a number of best practices that best-of-breed manufacturers are pursuing in their go-to-market strategies.

“For most manufacturers, trade spending has become the second largest P&L line item after cost of goods, yet, in many cases the appropriate strategic focus is not given to the topic considering the size of the budget,” said Tina Wefer, Senior Product Manager, Blacksmith Applications. “Our analysis has identified a number of opportunities that manufacturers can pursue to better control their trade spending and contract management.”

- **Business Management Approach:** Evolve field management from a “sales manager” mentality to that of a “business manager” by providing process, policy, and tools that enable and enforce effective decisions and analysis.
- **Claim Validation:** One of the core process gaps centers on validating inbound claims and deductions against a set of performance criteria – a centralized repository surrounded by a consistent, automated process helps identify additional areas for productivity savings.
- **Controls and Process Improvement:** Documented processes, management, and points of control are necessary for consistent delivery against policies and procedures. This is particularly important for public companies to ensure Sarbanes-Oxley (SOX) compliance. We strongly believe that these process and control points should be imposed and monitored systemically to ensure no deviation occurs.
- **Deal Simplification and Customer and Product Focus:** Two of our key recommendations are [1] normalization of spending tactics and rates into common options, and [2] customer segmentation. Customer segmentation should dictate spending methodology/tactic and rate options offered to each customer. Standard rates should be set forth for both Value-Added and Commodity products. A centralized tool enforces consistent management of programs offered.
- **Price and Deal Integrity:** To comply with the Robinson-Patman Act and insure that ‘better’ customers receive the most attractive incentives, manufacturers need to quickly and efficiently identify issues surrounding price and deal integrity given estimated volumes, and escalate decisions to the appropriate party as necessary.
- **Profitability Evaluation:** The profitability of every requested promotional event should be calculated, taking into account product costs and all other planned spending with the customer(s) during the same time period, and evaluated against gross margin/profitability thresholds.

- **Visibility:** Sales and management need the ability to view their budget dollars, total commitments, and balance remaining at any given point in time.

“Our consulting team has repeatedly been called on to analyze how companies are currently doing business and identify opportunities for them to better manage their processes, policies, people, and systems/tools related to trade spending and contract management. We strongly believe in each of the best practices identified above and have made an effort to ensure that our FORGESM and SHIELDSM software applications support these best practices,” said Paul Wietecha, President, Blacksmith Applications.

Would you like to learn more about how Blacksmith Applications can help you employ industry best practices to improve your trade spending?

For more information on industry best practices and how Blacksmith Consulting Solutions can help you better manage your business, please contact Tina Wefer, Senior Product Manager, Blacksmith Applications, at 312-981-6381 or twefer@bigredflame.com.