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Handheld Devices  
*The Next  
Phase of Trade  
Promotion Excellence*



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## MAKING THE MOST OF TRADE PROMOTIONS WITH HANDHELD DEVICES

*Consumer products companies make massive investments in their trade promotion programs—yet most consumer products executives and managers have no clear data on how well their trade programs are working. One major problem is that most companies still lack insight into the crucial, final part of the operation: what happens at the store level. Getting reliable in-store information has been a problem for years, and there has been no shortage of attempts to address it. But none of these attempts has been as promising as the most recent arrival: mobile computing in the form of handheld devices. They can provide valuable data at every stage of the promotion program, from assessment before the event, to analysis afterward, to planning for the future. In addition, the software allows management to track and report field force productivity, making it easier to get the force to focus on the right visits and to schedule those visits along an efficient timetable.*

Consumer products companies will spend an estimated US\$111 billion on their trade promotion programs in 2008. That makes trade promotions the second-largest item on the P&L budget after the cost of goods sold—incredibly, ahead of transportation and marketing costs. Yet, despite this level of spending, most consumer products executives and managers have no clear data on how well their trade programs are working. Why not?

One major problem is that most companies still lack insight into the crucial, final part of the operation: what happens at the store level. This opacity is partly a result of decisions by many companies to outsource parts of their field force and merchandising operations. While this practice has helped with cost containment—the goal for much of the consumer products industry over the past few decades—it has had the unintended effect of

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## *The problem is that no one party has a comprehensive view of what is happening at the retail shelf.*

obscuring what is actually happening at the point of sale. Without insight into this first “moment of truth,” as Procter & Gamble CEO A.G. Lafley called it, companies are missing opportunities and mismanaging their trade programs. They are also failing to make the most of the innovations coming out of their R&D departments.

The irony is that in just about every other respect, companies spare no expense to make their trade promotions successful. They go through software implementations, hardware purchases, training initiatives, process changes, and organizational realignments—many with the goal of better managing their trade spend and improving the associated reporting and analytics. Hundreds of people are involved in the launch and delivery of trade promotions, including professionals from finance, sales, marketing, demand planning, and distribution. Managers in these departments

plan the events, align and approve the forecasts, brief the sales teams, and create the marketing materials. They commit marketing funds and coach the merchandising teams. They reach out to retailers and store managers to get their buy-in. The process is like a military operation in its complexity and resource commitments.

After months of effort and millions of dollars in expenditures, the campaign rolls out across the retail landscape. Then the planners wait. And wait. For the next month or two, the action enters a “blackout period” punctuated occasionally by anecdotal reports from personnel in the stores or retailers providing a personal (and often biased) view on the success (or failure) of the campaign. After a time, shipment data becomes available, providing a clue on reordering and restocking; merchandisers may report in through clumsy, paper-based systems. Most of this incoming data is random,

flawed, and inconsistent. It cannot begin to provide an accurate or analytical view of what’s happening in the field.

The problem is that no one party has a comprehensive view of what is happening at the retail shelf—the ultimate point of decision and the focus of all efforts linked to the trade campaign. This is typically true even for companies that have put their own sales staff in the stores. The company doing the promotion is often in the dark about the many things that can go wrong—or right—until after the promotion has run its course. After a month or two, third-party data begins to appear; coupled with shipment data, it starts to provide a picture of the trade promotion’s success. Still, if the promotion doesn’t achieve the volume that was forecast, it is often hard to know why. Bad forecasting or shoddy program design? Ineffective signage or noncompliance from the retail store? Inevitably, the finger-pointing begins.

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## HANDHELDS PROVIDE TIMELY INFORMATION ABOUT IN-STORE ACTIVITY

Getting reliable in-store information has been a problem for years—with no shortage of attempts to address it. The 1990s brought technological advances, including software to improve forecasting, sales automation tools to bring better visibility to field force activity, and trade-promotion management systems to fine-tune planning and execution. At the same time, scan data started to provide better insights into what was actually happening at the point of sale.

In our opinion, however, none of these methods has been as promising as the most recent arrival: mobile computing in the form of handheld devices.

Handhelds have emerged as a viable tool in trade promotions because of three critical developments. First, the hardware has improved and become ubiquitous. Second, knowledge workers have developed a high degree of comfort and familiarity with such devices. Third, software vendors have introduced products that connect field operations to systems back at headquarters, closing a critical loop.

Indeed, the large advantage for consumer products companies using handhelds to assist with their trade promotions is the extent to which the devices help transmit what is happening at the stores back to planners at headquarters. While there has always been some communication of store-level information back to headquarters, very often it has come in the form of a voice mail left on a manager's phone or an ad hoc spreadsheet sent by e-mail. Mobile solutions running on handheld computers have the potential to create much more consistency.

This is why, even though the technology is relatively new, we have come to the conclusion that the

use of handheld devices should be a consideration for just about any consumer products company with “feet on the street”—sales representatives, brokers, or merchandisers. Handhelds can help with processes at every stage of the promotion program, from assessment before the event to analysis afterward to planning for the future. In addition, the software allows operational management to track and report field force productivity, making it easier to get the force to focus on the right visits and to schedule those visits along an efficient timetable.

Before the event, for example, the field force uses the devices to prepare the store environment for the launch of the promotion. Field representatives will visit all key outlets to ensure that the stores have enough of the featured product or brand in stock, given the expectation that the campaign will increase sales volume. Once the company has shipped its merchandising materials, visits from the field force will ensure that each outlet has received the materials in the right quantity and that they are in good, usable condition. Data transmission from the devices is part of an improved set of processes for knowing that everything is in place and that the promotion can begin. Even the signatures of store managers or in-store merchandising managers can be captured electronically and transmitted back to headquarters, providing confirmation that store executives know about the promotion, stand behind it, and understand that their receipt of trade funds is contingent on their executing the plan according to specifications.

After the promotion launches, handheld devices play a key role in ensuring that in-store intelligence is captured quickly and transmitted back to the relevant departments at

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the consumer product company's headquarters. In-store representatives also play a critical role in evaluating the situation on the ground, not unlike soldiers gathering intelligence in a military operation, assessing the performance of the campaign and communicating in real time what is working and what is not.

On-site representatives can also monitor how consumers are responding to the promotion and whether it has sufficiently motivated them to purchase the product. If there are signs that the promotion is stalling, the field force (as part of the improved processes that accompany the use of the handhelds) can interview consumers or retail staff. They can then communicate the results back to the planners, who can analyze the information and use it to refine the campaign. In addition, representatives can monitor the in-store inventory, evaluating in real time the inventory on hand and ordering additional product to avoid out-of-stocks—the most common and deadly enemy of successful promotions.

Another challenge often emerges at this stage: counter-promotions by competitors looking to blunt the trade program's success. On-site

monitoring will alert headquarters to these actions, allowing planners to respond with retaliatory strikes of their own so that the promotion doesn't lose momentum. The battle is effectively joined from two locations: in the store and at headquarters.

Once the promotion is complete, the planners at headquarters will use the in-store reports, data, and intelligence to complement the more traditional information available from internal shipment databases, trade payments, third-party scan data, and sales reports. All this knowledge allows planners to accurately and definitively assess the success of the promotion. Because the assessment incorporates the in-store environment data, the organization as a whole—from the CEO to finance to sales to distribution—will have a clear understanding of whether the investment delivered the ROI that was projected when the campaign was approved.

The richer, more immediate information is also invaluable for planning future trade promotion campaigns. Executives can use the analytics available to make a store-by-store assessment—allowing decision makers to compare

differences by locations, judge the performance of particular retail chains, and ultimately gather the knowledge necessary to influence and shape future campaigns.

In addition to the strategic benefit of improved long-term trade promotion planning, the use of handheld devices can also deliver more tactical day-to-day benefits. Case studies from companies that have started using handhelds during the past two years show that field representatives can gain as much as three hours a week from the reduction in paperwork that handhelds make possible. These saved hours allow for more face time with customers, which could in turn bolster revenue. The software also allows representatives to better plan their routes and their store visits, giving them more time at outlets that offer the highest potential. The software is capable of providing data to headquarters about the length of each visit, ensuring that representatives are investing their time with the outlets—and on the tasks—likely to deliver the highest return.

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## SUMMING IT UP: THE BENEFITS— AND ROI—OF HANDHELD DEPLOYMENT

From our perspective, the use of handheld devices, and the internal reporting and analytical capabilities necessary to take advantage of them, provides at least six unmistakable benefits to consumer products companies doing trade promotions.

- Deployment and monitoring ensure better compliance in promotion execution; money is not spent on retailers that don't deliver.
- Constant, real-time monitoring of critical inventories avoids or reduces the chance of out-of-stocks—ensuring promotion take-up and negating share loss.
- Comprehensive collection of relevant data, often available in real time, allows planners to calibrate and optimize promotions while simultaneously learning from mistakes.
- Better route planning and task assignment ensure that the mobile field force is deployed to area stores that will most likely grow revenue and profits during the course of the trade program.
- Monitoring and controlling compliance around category planograms helps drive assortment decisions, again avoiding out-of-stocks and potential lost sales and share loss.
- The availability of immediate information helps consumer products companies get their products onto shelves—and into customers' hands—faster, a critical consideration given consumers' reluctance to spend money in the current economic climate.

Because the use of handheld devices as a tool in trade promotions is an emerging phenomenon, little quantitative data has been compiled on the ROI of these investments. Nevertheless, the anecdotal information is very promising—and certainly instructive. For example, a manufacturer of hair care and beauty products in Australia enjoyed a 20 percent increase in order value one month after deploying handhelds to its sales reps. In a separate study focusing on seven major European countries, one of the world's leading providers of photographic film found that out-of-stocks contributed to 75 percent of its market-share loss in any given period. In a situation like that, even if handhelds did nothing more than reduce out-of-stock incidents, they would be making a contribution to the bottom line.

Our contention, however, is that handhelds do far more. In particular, with training and over time, we believe that handhelds will also increase most field forces' productivity, improve the efficiency and effectiveness of most companies' trade spending, and thwart competitors' attempts to dampen the impact of individual trade campaigns. The potential of mobile devices to do these things and to increase the competitive position of consumer products companies in their chosen markets will make mobile data a board-level agenda item in the next two to three years. For executives in charge of trade promotion activities, the time to start weighing the options is now.

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