

To improve your company's Pricing and Trade Promotion activities, Hitachi Consulting deploys a methodical approach to achieve objectives, including:

- Improving accuracy of the settlement process and reduced settlement processing time
- Using transaction data for performance enhancing analytics
- Developing closed-loop pricing and promotion accountability

## Solution Overview

### Pricing and Trade Promotion Management

#### *Shaping Demand in Response to Dynamic Consumer Spending Trends*

##### **Business Need**

With consumer expectations firmly set on high quality products at low prices, their powerful force is challenging even the best-run CPG and food companies to become more market responsive. Consumer demand for healthy, fresh, and convenient product has opened the door to many nimble, innovative smaller companies. Companies responding quickly to this new force are seizing share in the high-margin categories of green, organic and healthy lifestyle products; often triumphing over established, branded product companies in category leadership. Suddenly "lean" is not enough of a strategy to win.

Because of the shift to growing revenue and margin through new products, tighter channel partnerships and more sophisticated segmentation now dominate consumer goods companies' strategies. Hitachi Consulting is helping companies to critically examine the effectiveness of their revenue management, or Pricing and TPM processes and performance. This is the best tool for shaping demand and creating market responsive programs with channel partners. Often pricing and trade spend processes and organizations lack the accountability and performance metrics typical in most other parts of a business. Applying closed-loop management processes to strengthen controls, accountability, and compliance will help you achieve your risk objectives, as well as help to change behavior toward building brand ROI. Additionally, integration with S&OP processes improves your market responsive capabilities.

Hitachi Consulting has helped many companies adopt best practices in pricing, revenue optimization, and trade-spend management by using a four-part approach to creating a business case for business change.

The four parts of the business case are:

##### **1. Revenue and Margin**

Tightening processes around and increasing compliance of agreements, programs and price quotes is critical to improving revenue and margin, as well as ensuring predictability of demand shaping activities. We can help you quantify the leakage from current processes and establish the basis for measuring the effectiveness of price and promotion decisions.

Other benefits include identifying new opportunities for more effective spending and spending less time reconciling disputes, while placing more emphasis on selling.

##### **2. Planning**

In order to optimize demand planning and associated supply chain effectiveness, we help you evaluate the impact of linking price and trade promotion planning to S&OP processes.

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# Pricing and Trade Promotion Management

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### 3. Cost Reduction

The cost of establishing, administering and reconciling pricing and trade spend agreements is a constant sore point for most companies.

Key process improvements we can help you quantify include:

- Developing an expedited contract creation process, including steps for negotiation and approval
- Automating claims and bill-back collections, processing and validation
- Eliminating inaccurate, untimely trade promotion payments and reducing the cost of resulting disputed deductions
- Eliminating redundant processes and shadow systems

Other benefits include improved working capital, accrual accuracy and reduced write-offs.

### 4. Controls

Many consumer goods organizations often fail to apply traditional closed-loop management practices to pricing and trade promotion processes. Opportunities exist to ensure SARBOX compliance, reduce or eliminate questionable accrual and revenue recognition practices and realize greater levels of accountability for spending and performance.

Revenue Management Business Case Assessments focusing on Pricing and TPM can typically be completed in two to four weeks.

#### **Example: Beverage Manufacturer**

This leading company faced a number of business challenges, including:

- Poor visibility into distributor sales data
- High cost of data processing and program administration
- Data collection from 1,200 points of distribution, at more than 400,000 locations
- Inability to accurately recognize revenue
- Ineffective customer marketing programs

Hitachi Consulting worked with the company to reorganize and adopt Business Intelligence capabilities to solve their problems. Some benefits and return on investment, included:

- Generated \$3 million in savings in the first year from identification of duplicate submissions, non-company accounts, and products
- Rationalized account customer list from 12 million to 396,000 units
- Improved missing volume submissions by two percent
- Improved accuracy and timeliness of data collection from months to days

#### **About Hitachi Consulting Corporation**

As Hitachi, Ltd.'s (NYSE: HIT) global consulting company, Hitachi Consulting is a recognized leader in delivering proven business and IT solutions to Global 2000 companies. With a balanced view of strategy, people, process and technology, we work with companies to understand their unique business needs, and to develop and implement practical business strategies and technology solutions.

Hitachi Consulting's client base includes nearly 25 percent of the Global 100 and many leading mid-market companies. From business strategy development through application deployment, we help clients quickly realize measurable business value and achieve sustainable ROI.

Hitachi Consulting – Building the Market Responsive Company®

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