CPGvision

Indirect distributor relationships

If your business uses distributors, your Trade Promotion Management process should allow you to plan for indirect customers

Managing indirect accounts allows companies who utilize distributors to reap the rewards of trade promotion efficiency. However, this adds a level of complexities that some TPM software (and definitely spreadsheets) don't handle well. In this article we will examine the value of planning and managing indirect accounts and discuss ways to manage these relationships.

It should be noted, that for the purpose of this discussion we are not including the Direct Store Delivery go-to-market, as this adds a significant level of complexity and each DSD client has differing needs, depending on their data, retail execution solutions and whether they use DSD distributors, a bottler network, etc.

What is an indirect distributor relationship and how are they different from direct retailer relationships?

In a direct shipment relationship, the retail chain buys products directly from the manufacturer and sells them directly to the end-customer. This type of relationship is typically closely managed and frequently used by major manufacturers who can deliver products directly to the retailer's warehouse. In a direct relationship the manufacturer has more control over factors that influence product quality, pricing and in-store promotions.

Indirect distributor relationships refer to a relationship where the manufacturer sends products to the distributor, rather than directly to the retailer's warehouse or stores. These distributors sell products to many retail chains, big and small, making them a critical link in the supply chain. Manufacturers who rely on distributors gain efficiencies in some areas but at the same time lose some control. When looking to gain efficiencies in trade spend manufacturers can find themselves a bit disconnected from the stores that serve their end consumer. Creating indirect planning accounts in TPM adds significant value to a business: These advantages include:

✅ The indirect customer is closer to the shopper

The indirect customer is closer to the shopper - This gives you visibility into, and influence over, promotions, which means you can ensure that they are efficient, effective and in-line with your brand strategy.

✅ Data Availability

Through the register data is readily available from syndicated data suppliers (e.g. Nielsen, IRI and Spins) as well as directly from many retailers. Data from indirect customers is hugely important for quantifying return on investment (ROI) on promotional activity , this evaluation is key to making your trade work harder for you. . You can monitor sell-through and validate spend as well as make adjustments in future plans.

How can CPGvision help increase go to market efficiency?

CPGvision can link the indirect account to the distributor account

To do this, CPGvision's software harmonizes three different kinds of data:

☑ **The sell-in data**

Sales the manufacturer ships to the distributor

☑ **The sell-through data**

Sales the distributor ships to the indirect customer

☑ **The sell-out data**

Sales that moves through the register

Harmonizing all data sources, including plans, at the account/sku/week level allows for side-by-side evaluation at any level in the account and product hierarchy.

Having this harmonized data also facilitates the implementation of Trade Promotion Optimization (TPO) and Revenue Growth Management (RGM) capabilities by providing the basis for the models these functions depend on.

The CPGvision platform employs a 'parent/child' relationship. Your indirect accounts can be linked to their "parent" distributor account in a way that enables you to manage the indirect and roll up spend and volume to the distributor.

Frequently asked questions regarding managing indirect customers

Here are some of the questions we typically receive when setting up our clients to manage indirect customers:

Q: **Do I have to have an individual account plan for every single indirect underneath a distributor?**

A: No, most of our clients typically plan the major chains and plan a bucket of "All Other Distributor Name" as one account, thus providing maximum benefit with as little complexity as possible.

Q: **How do accruals work?**

A: Accruals can be tricky to manage when dealing with indirect planning, and we will discuss your requirements with you in detail. Think about what you need to accrue for when and set up your reports accordingly. You may need to accrue for the distributor OIs separately from the billbacks and scans that occur on the promotion. We can help you get the math in the right place!

Q: **What if I have different sales people calling on the indirects of a specific distributor?**

A: You will want to make sure your TPM vendor has easily configurable permission sets, so that each salesperson can see and plan for exactly what you want them to.

Q: **Does this add complexity to the reconciliation process?**

A: A feature you will want to make sure is included in your TPM is the ability to easily link deductions from either the distributor or the indirect to promotions at the indirect level.

Q: **This sounds like a lot of planning, am I putting too much burden on my sales personnel?**

A: In CPGvision our UI is designed with your sales team in mind. Our "easy buttons" enable you to clone all your distributor OIs over to their respective indirects. You can copy whole plans over to other accounts. The bit of extra added work is worth the effort of having visibility into the promotions your consumer experiences when they walk in the door of their local store to purchase your products!.

How can you get started?

The right system will provide you with the ability to really improve the results of your trade spend, whether utilizing TPM, or moving into TPO and more advanced RGM capabilities.

CPGvision offers a best-in-class, fully connected, and integrated TPM and RGM solution suite for Consumer Packaged Goods, built on the Salesforce platform.

If you'd like to learn more about how CPGvision can help your business

Contact us and we'd be happy to give you a demo or point you in the right direction.