IBM COGNOS PERFORMANCE BLUEPRINT: RETAIL STRATEGIC PROMOTION & MARKETING PLANNING IMPLEMENTATION GUIDE

A WEB-BASED PERFORMANCE MANAGEMENT APPLICATION

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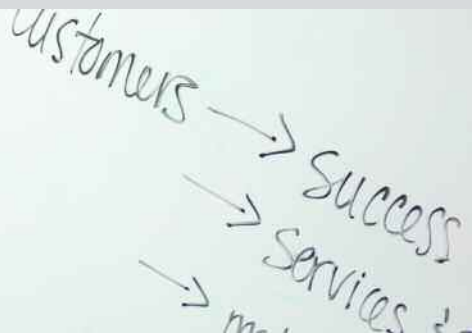
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OVERVIEW

Retailers have traditionally struggled with promotions and vendor deal planning because they lack the complete view of company-wide activities, making it very difficult to accurately gauge how to optimize the promotional mix across the chain. *The IBM Cognos Strategic Promotion & Marketing Planning Performance Blueprint* provides a complete performance management framework that enables retailers to accurately and confidently plan, measure, and report on their promotional activities so they can achieve a competitive advantage while protecting margins.

The promotions planning process needs to be collaborative and extend to all stakeholders within the organization, providing value to marketing executives as well as marketing managers, merchandisers, and buyers. Performance management systems allow management to articulate goals and provide a measurement process so performance against goals can be tracked and feedback provided.

This Implementation Guide demonstrates a Web-based process for allocating marketing spend, and managing internal promotion and vendor deal planning using IBM Cognos 8 Planning and IBM Cognos 8 Business Intelligence. It provides an overview of model design and complexities to be used as a guide for its implementation in a customer environment.

The models and processes described in this document are generic for retail strategic promotional planning in North America, but can be configured to support alternative model requirements and to accommodate planning in any country.

Blueprint Objectives

Marketing and promotional costs can significantly impact a retailer's top and bottom lines. The *IBM Cognos Strategic Promotion & Marketing Planning Blueprint* empowers managers and executives across the retail chain to model multiple scenarios, then analyze and evaluate the success of their promotions enabling more efficient use of company and trade dollars to ultimately drive higher returns. Through this *Blueprint*, senior executives can best determine company-wide marketing spend, strategically allocating funds to banners, region, or types of marketing activities. Marketing and merchandise managers can plan retailer-funded promotional campaigns that will lead to the greatest return on their investment. Buyers, merchandisers, and category managers can plan the best use of trade funds and monitor promotion effectiveness as well as vendor compliance to remittance terms.

The *Blueprint* delivers an intuitive top-down and bottom-up planning and reporting environment where retailers can capitalize on:

- An integrated planning process between finance, marketing, and merchandising, ensuring all departments have visibility to promotions and are working towards common objectives.
- Built-in calendaring that provides organization-wide visibility into planned promotional activities.
- The ability to perform analysis on historical promotions and then use the results to drive future campaigns and optimal promotional mix.
- Rapid re-forecasting capabilities that empower chains to adjust their promotional mix and campaigns "on-the-fly" based on performance and consumer responses to date.
- A fast consolidation process that reduces planning cycles and allows chains to react quickly to new vendor-sponsored opportunities, address market trends, and counter competitive actions.
- Embedded workflow functionality, complete with alerting capabilities, helping drive collaboration and accountability, while streamlining the approval and monitoring process.
- Compliance monitoring capabilities to improve control over trade funds and accelerate reimbursements due from vendors.

In addition to the benefits specific to the *Blueprint*, the IBM Cognos 8 Planning solution provides significant benefits to an organization through its inherent capabilities:

- Flexible model development to support a wide variety of models.
- Web- or Excel-based deployment of models for data collection and consolidation.
- Easy version control.
- Real-time workflow to drive collaboration.
- Real-time consolidation.
- Real-time reporting.
- Real-time calculations in the browser for immediate results.
- Audit and user textual annotations at the cell, worksheet, and model levels to further drive collaboration.
- Drop-down validation lists to ensure data consistency.
- Scalable architecture with proven deployments to thousands of users.
- Linking functionality to provide divergent, yet interrelated planning capabilities.
- Off-line capabilities.
- Custom date capabilities with no time dimension limits, to allow planning by week, season, period, quarter, or year.
- Unique multi-directional calculation engine to allow input across any dimension at the detail level or the total level.

Model Design Overview

Model Flowchart

The process for strategic promotion planning occurs in stages. The first step includes top-down total marketing spend targets set by corporate marketing executives for promotion types. This process sets targets for promotion types by banner. The targets are then linked to the marketing promotion portion of the model in which bottom-up detailed promotions are planned, resulting in a variance analysis to target. Finally, the vendor portion of the model includes the ability to plan promotional campaigns for each vendor arrangement, including performance results and compliance by vendor.

Total Marketing Spend

```
Total Marketing          Total Marketing
Spend          →         Spend Summary  - - - -
```

Marketing Promotions

```
Base Sales
Forecast
Weekly

Weekly              Weekly           Quarterly
Assumptions    →    Summary     →    Promotion
                                     Costs

Campaign            Campaign         Period
Details       ←     Definition  →    Summary

Campaign            Historical
Details       →     Promotions
Assump
```

Vendors

```
Base Sales
Forecast
Weekly
                                        Vendor Deal
                                        Period
                    Vendor Deal         Summary
Weekly              Weekly
Assumptions    →    Summary        →    Vendor Deal
                                        Count

Historical          Vendor              Vendor Deal
Promotions     →    Deal           →    Type
                                        Summary

Vendor              Vendor              Vendor
Assumptions    →    Compliance     →    Performance
                                        Summary
```

Real-Time Workflow Visibility

As marketing and merchandising professionals are planning and validating promotions, upper level managers have real-time visibility to the workflow status of that information. In this *Blueprint*, promotional planning could be performed by banner for each campaign type, or by campaign type for each banner. The owners would be Total Banner or Total Campaign type, respectively, and would be considered "reviewers." These reviewers can see the workflow status of each banner or campaign, and can be co-owners of that information, allowing them to make edits as required. All workflow status changes, data consolidations, and aggregations occur in real time as the information is saved by the end user, making frequent planning iterations possible.

Before data is entered, the state of the plan is designated as ○ **Not Started**. Once a plan is saved, the state becomes ● **Work In Progress** and remains accessible for further editing. When an item is submitted, the plan is Locked and no more changes can be made. The 🔒 **Locked** state indicates that the plan is ready for review. A reviewer can review the plan in any state, but can only reject a Locked plan item. When a Locked plan is rejected, it returns to a state of Work In Progress, making it editable once again for the owner of that plan.

The following is an example of the workflow in which the Total Banner is the reviewer, and campaign types are planned within that banner.

Representative Workflow

The following sections of this implementation guide describe the process in which marketing and merchandising professionals participate in the planning process.

Retail Promotions Portal

Logging into the Retail Promotions Portal offers users three prompted reports, including a promotions calendar on the upper left, a sales lift report by promotion type for each department on the upper right, a vendor compliance summary at the lower right, and links to other reports and IBM Cognos 8 Planning at the lower left.
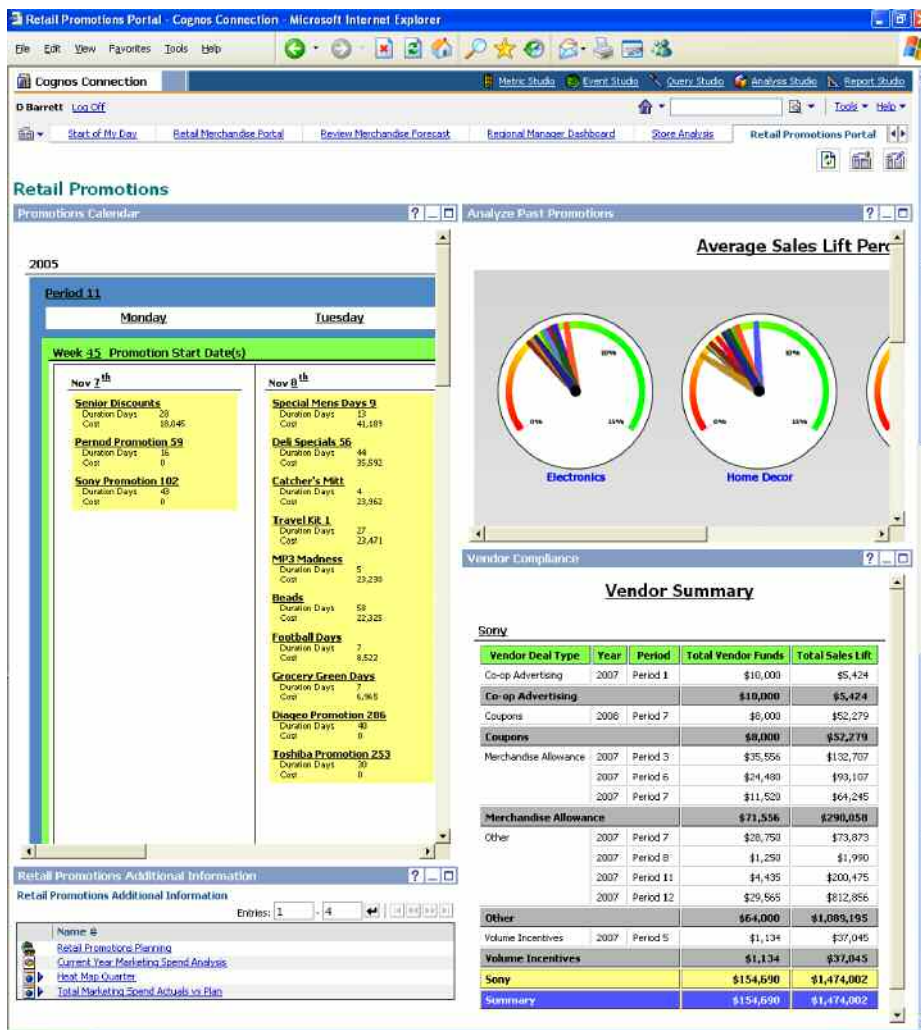
Drilling into the promotional calendar on the upper left side of the portal page gives users the ability to examine past promotions, including target geographies and timeframes, along with sales lift and promotion cost to determine whether a promotion is worthy of repeating in the promotional forecast.

Users can also expand the sales lift percent report to see an analysis of the success of each campaign type by department, and can then use that analysis to determine a campaign strategy for the promotional forecast.
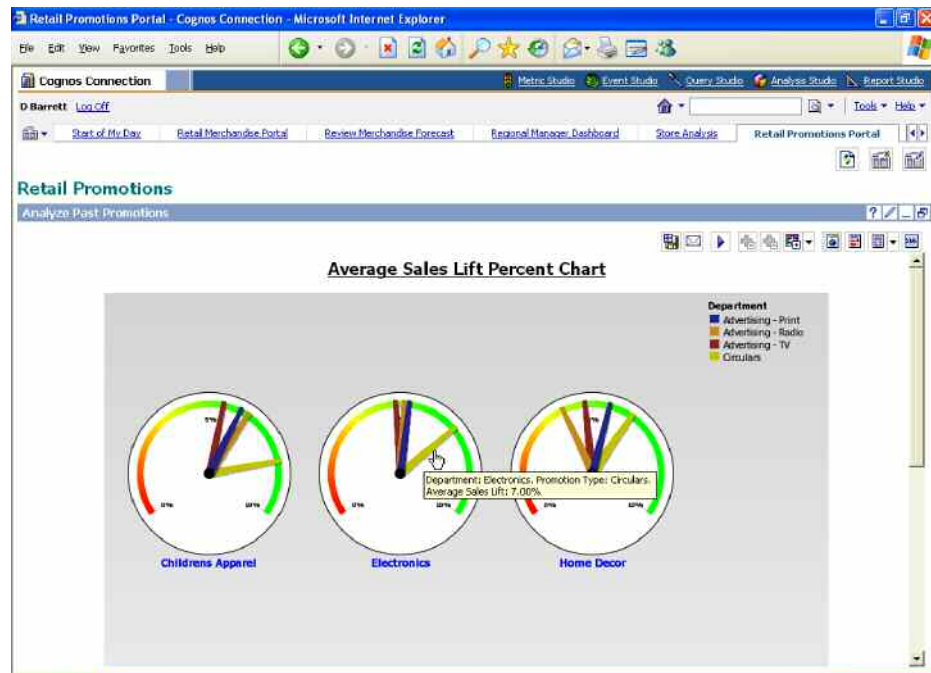
Drilling into the sales lift report produces a list of historical promotions by category that can be sorted based on metrics such as sales lift, promotion cost, or promotion margin. This report provides alerts when promotions produce a negative margin.

Total Marketing Spend

Users can then open the Strategic Promotion & Marketing Planning forecast through the link from the portal page—based on the analysis of historical promotions—to update the promotional forecast in IBM Cognos 8 Planning.

The first step in updating the forecast in the *Blueprint* takes place within the Total Marketing Spend item in the hierarchy. This level of the hierarchy provides the ability for marketing management to set top-down targets for promotional spending by banner and by campaign type.
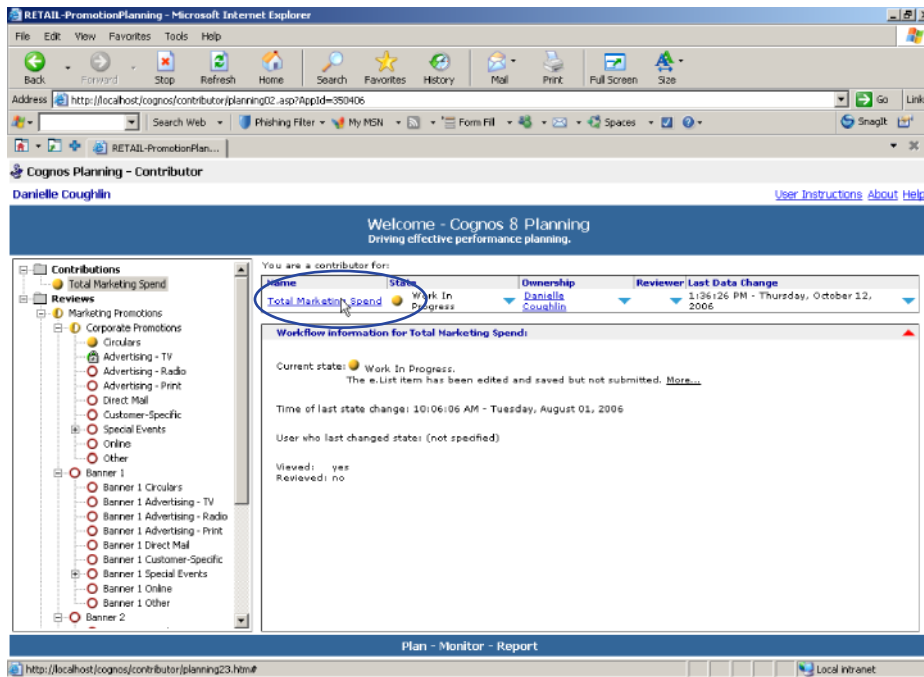
Upon clicking Total Marketing Spend on the Contributor home page, a view is provided which includes three tabs, two of which are used for top-down planning: **Total Marketing Spend** and **Total Marketing Spend Summary**. These two tabs are applicable only to the Total Marketing Spend item in the hierarchy; security established by the system administrator prevents other items in the hierarchy from accessing those tabs.

The first tab is called **Total Marketing Spend**. This tab is made up of five dimensions: Marketing and Vendor Hierarchy, Promotion Types, Banners, Quarters, and Total Marketing Spend. In this tab, users are provided with historical information about marketing spend per campaign type, per banner, and by quarter. Historical actuals are the basis for the current year promotional planning at a total campaign level by banner and by quarter. Users can make adjustments to that information, as shown in the example below.

Historical allocations are used to spread the Final Marketing Spend dollars to each promotion type by banner. Again, the user can make adjustments to that information, by dollar or percentage, to achieve the desired distribution of promotional dollars.

A warning is provided if the allocated promotional dollars are higher or lower than the targeted Final Marketing Spend dollars.

Adjustments can be made to eliminate the warning.

The information from the **Total Marketing Spend** tab is linked into the **Total Marketing Spend Summary** tab, which includes five dimensions: Marketing and Vendor Hierarchy, Promotion Types, Banners, Quarters, and Total Marketing Spend Summary. This tab is used for reporting and for linking data to the lower level of campaign planning in the hierarchy. It is read-only to users, as indicated by the gray background of the cells.

A third tab, called **Weekly Assumptions**, is a read-only assumptions tab provided to all *Blueprint* users. It includes valuable information for retailers, including the start- and end-date of each week, the period and quarter, whether the week is actual or forecast, and whether a holiday falls in that week. This information is used in the reporting and analysis portion of the *Blueprint* for promotional calendaring and year-over-year comparisons, not only by week, but by promotional holidays.

The **Weekly Assumptions** tab is made up of three dimensions: Weekly Assumptions, Weeks, and Years. It is a global assumptions tab, applicable to all levels of the hierarchy and is read-only to users.

Marketing Promotions

Once the top-down marketing targets are set, the results are linked to the campaign planning levels of the hierarchy where the details are planned, using the historical promotions analysis performed earlier.

Opening the Circulars item within the Corporate division of the hierarchy reveals seven tabs. The first tab is **Weekly Assumptions,** the global assumptions tab shown in the previous section. The majority of the planning owned by the promotion or marketing manager is performed in the second tab, called **Campaign Definition**. This tab is comprised of five dimensions: Marketing and Vendor Hierarchy, Campaign Definition, Placeholder, and New Repeat.

Users can determine which historical promotion will be repeated, a description for the promotion can be entered, and that historical promotion can be selected from a pick list. The associated historical information is then linked into the **Campaign Definition** tab from the **Historical Promotions** tab, described later in this section.

Users enter the additional promotional information for the repeat promotion being planned.

If there are no historical promotions that users will employ to forecast upcoming promotions, the view called New Promotions can be used. In this view, users simply enter the promotional information without using a historical promotion as basis.

Once the promotion or marketing manager has completed the process of entering promotions, the appropriate information is linked into the tab called **Campaign Details**, where the costs of the promotion are broken into cost categories. The **Campaign Details** tab contains five dimensions: Marketing and Vendor Hierarchy, Campaign Detail Allocation, Campaign Details, New Repeat, and Placeholder.

Users can make adjustments to the breakdown of campaign costs, and will receive warnings if the adjustments are not in line with the promotion costs entered on the Campaign Definition tab.

The campaign information is then linked into the **Weekly Summary**. This tab has six dimensions: Marketing and Vendor Hierarchy, Weekly Summary, Placeholder, New Repeat, Weeks, and Years. This tab provides a view of each promotion with the revenue and costs distributed appropriately into each week affected by the promotion. Users can also make sales lift adjustments in this tab if the expected lift is not distributed evenly over the life of the promotion.

The information from the **Weekly Summary** tab is linked into **Period Summary** using a 5, 5, 4 profile. Users can see the allocation of weeks to periods in the **Weekly Assumptions** tab, and that information is used in the link between the two tabs. The five dimensions in the **Period Summary** tab are: Marketing and Vendor Hierarchy, Period Summary, New Repeat, Periods, and Years.

Finally, the promotions information is linked into the **Quarterly Promotion Costs** tab, which provides a quarterly summary of the promotions. This tab also contains the top-down targets set in the Total Marketing Spend section of the hierarchy, so that users can determine whether they are in compliance and how much marketing spend they have remaining in the year. Users will receive a warning if their planned campaign costs are over budget. The **Quarterly Promotion Costs** tab is comprised of three dimensions: Marketing and Vendor Hierarchy, Promotion Cost Summary, and Quarters.

The details of the historical promotions are provided on the last tab called **Historical Promotions**, which contains three dimensions: Marketing and Vendor Hierarchy, Promotion Details Historic, and Historical Promotions. In addition to the analysis of historical promotions performed through the Retail Promotions Portal discussed at the beginning of this guide, users can access the historical promotion detail in this tab as they are planning future promotions.

Vendor Promotions

Another feature of the *Blueprint* is the promotion planning vendor section, used to manage and track promotions conducted in partnership with vendors.
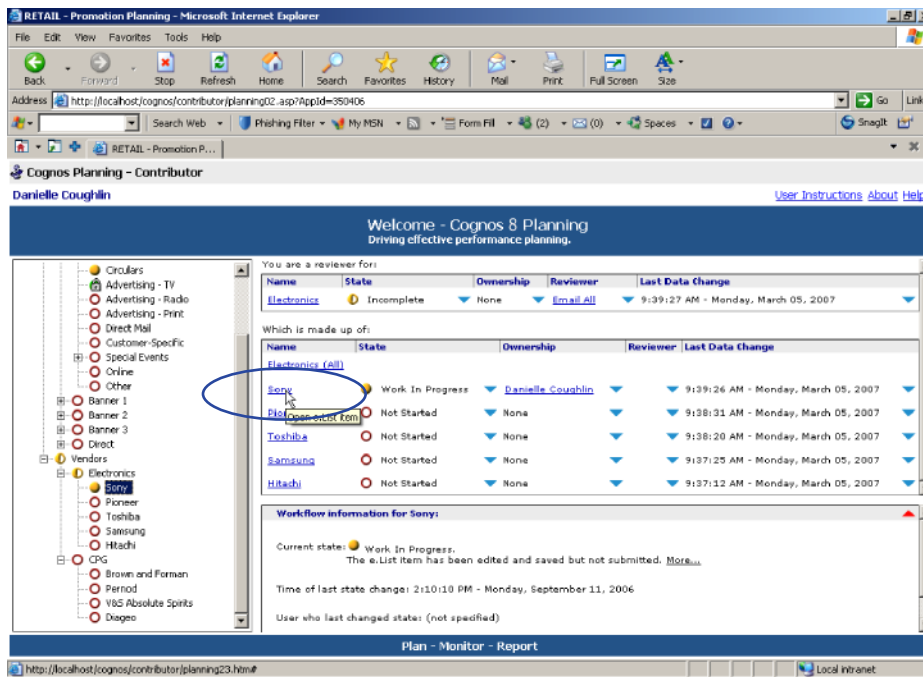
Clicking the link for Sony provides a view of the nine tabs used to plan vendor promotions. The **Weekly Assumptions** tab is the same tab seen in the previous previous views, which contain global assumptions. The second tab is called **Vendor Deal** and is structured much like the **Campaign Definition** tab in the Marketing Promotions view. This tab contains four dimensions: Marketing and Vendor Hierarchy, Vendor Fund Details, Placeholder, and New Repeat. Users can choose a repeat promotion based on analysis performed on the Retail Promotions Portal, or define a new campaign.

Once promotion details are entered in the **Vendor Deal** tab, the information is linked to the **Vendor Deal Weekly Summary** tab and spread over the appropriate weeks applicable to the promotion. The **Vendor Deal Weekly Summary** tab has six dimensions: Marketing and Vendor Hierarchy, Vendor Deal Weekly Summary, Placeholder, New Repeat, Weeks, and Years.

The weekly information is summarized into a periodic view in the **Vendor Deal Period Summary** tab, which also includes a count of the number of vendor deals per period and includes five dimensions: Marketing and Vendor Hierarchy, Vendor Deal Period Summary, New Repeat, Periods, and Years.

The **Vendor Deal Type Summary** tab provides a breakdown of of vendor deals by type, and includes information about vendor funds versus sales lift for both committed and proposed promotions. This tab contains six dimensions: Vendor Deal Summary, Marketing and Vendor Hierarchy, Vendor Deal Types, Promo Status with Totals, Periods, and Years.

The **Vendor Performance Summary** tab provides details about promotional impact for this vendor, broken down by deal type, and includes five dimensions: Marketing and Vendor Hierarchy, Vendor Performance Summary, Versions, Periods, and Years.

The **Vendor Compliance** tab is used to manage the vendor's compliance with agreed-upon vendor funds and payment dates, and is comprised of three dimensions: Marketing and Vendor Hierarchy, Vendor Compliance, and Placeholder. Warnings are provided if the vendor is out of compliance; and that information can be used to determine the validity of future promotions with this vendor.

The **Vendor Assumptions** tab provides users with information about the vendor used in the **Vendor Compliance** tab and contains two dimensions: Marketing and Vendor Hierarchy and Vendor Assumptions.

Finally, the **Historical Promotions** tab is structured like the one shown in the Marketing Promotions view, and contains the information that can be analyzed for potential repeat promotions. It is linked to the **Vendor Deal** tab when users create a repeat promotion for this vendor.

In summary, this *Blueprint* is designed to help chains optimize the effectiveness and return for both retailer- and vendor-funded promotional activities. Cognos retail solutions are designed to integrate all operational silos—including operations, marketing, merchandising and finance—to ensure that all parts of the organization are planning to a single set of financial goals and business objectives.

**ABOUT THE COGNOS INNOVATION CENTER
FOR PERFORMANCE MANAGEMENT**

The Cognos Innovation Center was established in North America, Europe, and Asia-Pacific to advance the understanding of proven planning and performance management techniques, technologies, and practices. The Innovation Center is dedicated to transforming routine performance management practices into "next practices" that help cut costs, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility.

Staffed globally by experts in performance management, planning, business intelligence, financial consolidation, strategy management, and technology, the Innovation Center partners with more than 2000 Cognos customers, academics, industry leaders, and others seeking to accelerate adoption, reduce risk, and maximize the impact of technology-enabled performance management practices.

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