



BRAND SECRETS AND STRATEGIES PODCAST #155

Hello and thank you for joining us today. This is the Brand Secrets and Strategies Podcast #155

Welcome to the Brand Secrets and Strategies podcast where the focus is on empowering brands and raising the bar.

I'm your host Dan Lohman. This weekly show is dedicated to getting your brand on the shelf and keeping it there.

Get ready to learn actionable insights and strategic solutions to grow your brand and save you valuable time and money.

LETS ROLL UP OUR SLEEVES AND GET STARTED!

Dan: Welcome. Here are some statistics that every brand needs to be aware of and I do mean every brand. 25% of a brand's gross revenue is tied to their trade marketing and yet 70% to 90% of their trade spending is wasted or ineffective. That's a scary number. Again, this is something that every brand needs to be aware of. Knowing how to manage your trade marketing effectively can literally determine how long you're going to be around, a month, a year, a decade or even longer. What is trade spending and why does it matter? Trade spending includes everything that it cost to get your brand, your product on a store

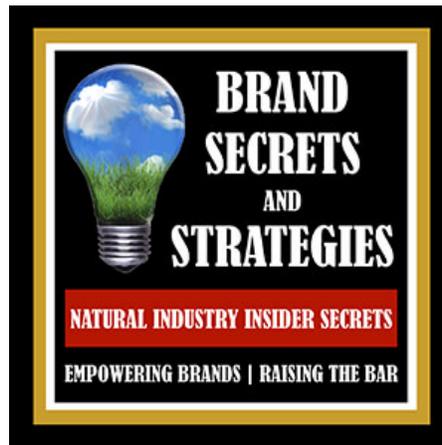


shelf and into the hands of the consumer. That includes slotting promotional fees and a lot more.

Now, what is the real goal of trade spending? It's to introduce your product to a new consumer. That's it. It's not to reward an existing consumer to buy your product. There are better strategies for that. We'll talk about that at another time. The goal of your trade spending, any effective trade management program is to get new trials, new customers to buy and love your product. This is the most important thing that every brand needs to understand and needs to be able to get right. The challenge is that there is no easy way to figure this out. There's no push-button strategy that automatically tells you how well you're doing in terms of your trade spending.

For those organizations that claim that they have that, that's a lot more complicated than that and simply relying on push-button strategies or push-button reports is not going to help you get more runway out of your available promotions. They're not going to help you drive sustainable sales across every category. They're not going to help you compete at a higher level. This is why this is the single most popular topic that I share on the podcast in my notes, in my content, et cetera. Sadly, as an industry, we don't equip brands, especially small brands to understand the complexities of trade marketing and be able to effectively manage this.

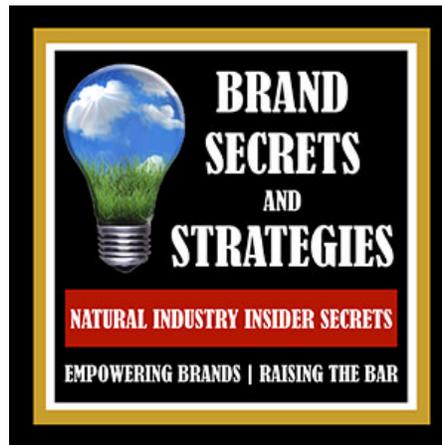
Again, this is the unique opportunity that you have as a brand to not only differentiate yourself at shelf but to get a significant and sustainable competitive advantage by leveraging the strategies we were going to talk about today and in future content.



Have you ever played pin the tail on the donkey? I want to use this analogy because it's going to help us understand why trade marketing is so critically important. In the game pin the tail on the donkey, the goal is to attach a paper tail on the backend of a picture of a donkey. It sounds simple, but you're blindfolded, so it's a lot harder than it looks, especially when they spin you around three times, so you lose your bearing.

Now, while some of us are capable of getting the pin on a wall. That's not enough to win the game. Trade marketing is a lot like that in terms of the tools that are out there. If you were able to pin the tail somewhere on the wall outside of the picture, well that's not going to help you grow your brand. That's why these push-button tactics don't work. At the very least, even if you use those tools and those strategies, you've got to know the basics, you've got to know the mechanics of trade-marketing, how the money flows through to the end consumer and how you can leverage those moneys, those funds to be able to grow your brand sustainably.

If you don't, well you might as well just throw your money away. Of course, I'm being a little facetious, but that's effectively what you're doing. Let me give you a quick example, the cereal category. The cereal category is a category where consumers would go into the category and they'd only shop when the product was on sale. The brands would spend a lot of money to promote their products with really deep discounts, but consumers would only buy their product when they're on sale. Well, that's not an effective promotion. Not only does it take a lot of dollars out of the category, but it can also dilute your brand and even bankrupt smaller brands.

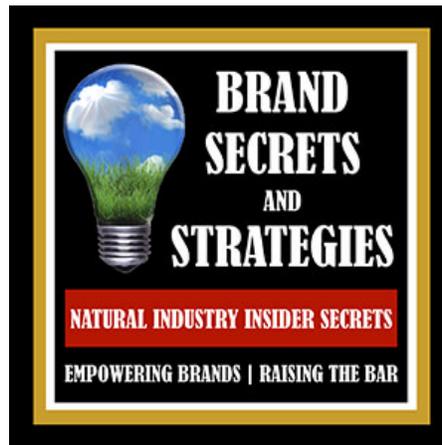


That's why this is so important for every brand to know and understand and to get good at. Now, one of the other benefits of this is that the more attractive your brand is to an investor the better rates you'll be able to negotiate, the quicker you'll be able to pay your investors off. The point is this, effective trade marketing can be the single most important tool in any brand's toolbox. It can determine how long you're going to be around. It can help you negotiate the best rates. It can help you stand out on a crowded shelf. More importantly, it can help you help your retail partner compete more effectively. If you can help them achieve their goals, greater sales, more traffic in their store, then they will help you achieve your goals, getting on more shelves, being found easier by their customers, your customers.

This is such an important topic that I even invited an old friend, an expert in the industry about trade marketing. Before I go any further, I want to remind you that there's a free downloadable guide at the end of every podcast episode. I always try to include one easy-to-download, quick-to-digest strategy that you can instantly adopt and make your own, one that you can use to grow sustainable sales and compete more effectively. Remember, the goal here is to get your product on more store shelves and into the hands of more shoppers. If you like the podcast, please share it, subscribe and leave a review.

Now here's today's guests, Kurt Kaiser. Kurt, thank you for coming on today. Can you please start by telling us a little bit about yourself and how you got to where you're at today?

Kurt: Well, hi Dan. Thanks for having me. I have had a career that's been entirely focused and related to sales in the CPG industry and specifically trade spending and trade marketing. I began my



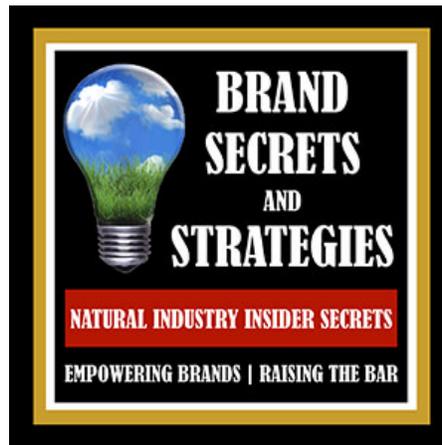
career a long time ago at Kimberly-Clark, worked first as a sales rep and then worked up through account management and sales operations and trade marketing. I managed some tools there. That was the first half of my career and then the second half has been at solution vendors for the CPG industry. First at Nielsen where I worked on pricing and promotion analytics and post-event analysis and then at a company called AFS Technologies, which is a vendor for trade promotion management solutions.

I've had the privilege of working with companies of all sizes, different categories, all in the CPG space and all with some relation to trade promotion management and trade spending.

Dan: Thank you for sharing that. I'm so glad that you have this background that you're able, to share that with me today. The reason that's important is that for everyone who's listening, we were classically trained by mainstream CPG big brands. The reason that's relevant is that they spare no expense to train you, to educate you, to help groom you and bring you along and help you understand all those important things. That gives us the opportunity then to understand the big picture, how trade marketing works and then being able to talk about how do we help smaller brands. Your most recent role, you're working with a lot of different brands on their trade marketing.

The benefit here is that you have that wealth of experience, you know what brands are thinking about what their specific pain points are. With that in mind, what is trade marketing and why is it important?

Kurt: Well, trade marketing in this most basic sense is being very thoughtful about how you put a strategy together, plan and

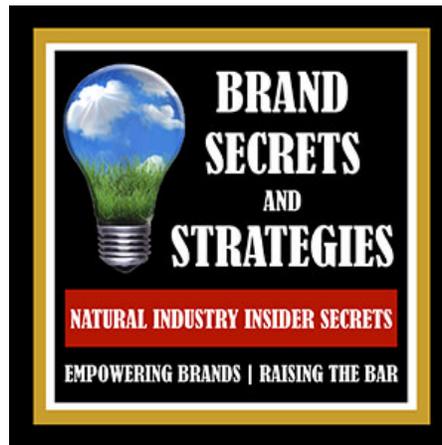


execute the use of your trade funds. The manifestation of that is as a strategy for pricing and for promoting your products at your customers and why it's important. I think there are three really important business metrics to consider when you think about why this is important. The first being gross margin, the second being your trade rate and the third being the percentage of promotions that actually break even. The first metric, gross margin. Gross margin is a business metric on the manufacturer side that's an indicator of business health.

Experts in the industry say, "In order to have a healthy business, you need to have a gross margin around 40%." Gross margin is gross profit divided by net sales. A really huge component of net sales is trade spending. That then leads us to the second key metric of trade rate. Trade rate is your trade divided by gross revenue. On average, a 25% trade rate is what you see in the industry, at least at maturity. 25% of gross revenue is a huge number, right? Then the third metric is promotion effectiveness. There have been studies that show upwards of over 70% of promotion spending doesn't even break even. Again, you're talking about a huge portion of a huge amount of money, right?

You have a key business health metric that has trade spending as a major component of it. You have trade spending be a big, big part of your P&L and then third, you've got a major, major majority of that spending where there's evidence that it's not being used efficiently. That's why I think trade marketing is so important at any stage of a company's life cycle.

Dan: You go one step further. Thank you for sharing that. This determines how effective your brand in terms of getting promotions or getting distribution or building sales. This



determines how long literally you're going to be around, a week, a month, a year, et cetera. Now, you're talking primarily about the manufacturer's side of the business. Now as a retailer, former retailer, trade spending is important because I expect you to promote my stores and me to have a margin metric and my margin metric is I want about 35% to 40% on my end as well. Now the reason that matters is that not only do you need to manage your bottom line as a brand, but you've also got to be able to meet my needs. I'm going to be asking you to promote and promote and promote and promote.

Now, one of the things I don't think a lot of brands think about or realize is that for me, the retailer, this is a profit center. I make money. It's part of how I basically drive bottom-line sales and my retail store. Can you talk about that and why that matters, why that's important and then how that impacts the health and the ability of a brand to support the retailer and grow?

Kurt: Well, I think too often manufacturers look at trade spend as a cost of doing business. To some extent it is, but there are two sides to that coin. You just talk about one side which is to the retailer promotion spending is income and it becomes part of their revenue model and that revenue model is changing a lot as the industry is changing, as new channels are emerging and channel shifting is taking place. The other thing on the retailer side is they don't think that they get a very large slice of the profit pool. That's the one side of the coin. The other side of the coin on the manufacturer side is that, yes, to a large extent you have to invest to get distribution and to get trial of your product. Without that, you are dead in the water.

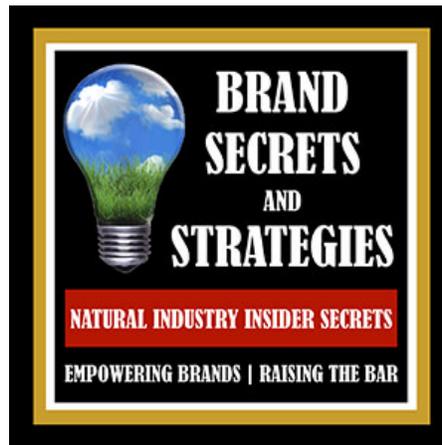


The other thing that manufacturers believe is that only about half of what they spend ever makes it to the consumer. Then, the last element of the manufacturer's perspective is that they're reluctant to challenge things because they want to have a good relationship. So you've got conflicting objectives as you do in a lot of things in life. The real goal is to maximize results on both sides, so you have a win-win situation.

Dan: One of the things I talk about a lot in this podcast is I believe retail is broken. The reason I say that is because we use outdated metrics, outdated strategies like this to drive sales. Let me explain. The myth that every product that is out there, the only reason that it drives sales is when you promote it and you drive the price down. To me, that's a problem because that commoditizes the product and the customers. What we're focused on at least with the natural brands is how to help brands grow and thrive by focusing on ingredients in your package, the unique customer you drive into the store.

When you're talking about how this, how these metrics work, how would you recommend a brand to maximize those metrics around what really drives sales in the store, around the customer that buys their product over and above price and promotion? In other words, why should brands be thinking of this more strategically rather than just writing checks?

Kurt: Well, quite frankly, because it is probably the biggest expense on your P&L. That is the most basic argument for managing this very, very meticulously from the very start. What I see a lot of companies doing is just treating it in a very mechanical fashion. Account teams and brokers are given a rate to manage you and then the promotions are scheduled, they take place, but rarely if

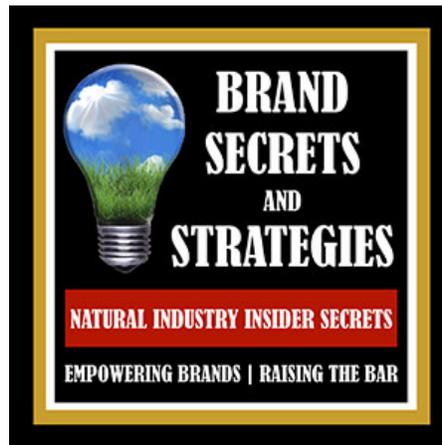


ever there is any kind of meaningful look back to see what worked and what didn't work. Then, it just gets compounded over time because the promotion plan that you did last year just gets repeated in the following year. It's not treated as a big of a factor in your business as it should be from the very beginning.

Dan: On that note, when should the brand start paying attention to that? Because that's an excellent point, I want to dig into that more, but when should brand start paying attention to this and then what do you see brands of various sizes adapting in terms of their strategies?

Kurt: Yeah, my recommendation is that you treat it very, very seriously from day one that you have to put a strategy together for trade spending and most importantly manage promotions, track promotions from day one. This doesn't take a huge investment in outside tools and capabilities. It just takes some dedication to the process so that you have some perspective on what you've done, what worked and what didn't work. Now your second question about how this changes over time, initially companies will use spreadsheets. You've got one product, one customer, handle our customers and you could do this pretty effectively in spreadsheets.

Over time what happens is you get distribution in more outlets, you add more people to the process, the number of transactions grows, the number of deductions grows. Deductions are a pretty major piece of the transactional process in food. All of those things added together, the dynamic changes and there's usually some kind of shift to adopt either more people or some kind of toolset to help manage through the process.



- Dan: When you mentioned the trade rate a little bit ago, what did you mean? Why is that important and how is that metric, how is it calculated? Where does it come from?
- Kurt: Yeah, the trade rate is your trade spending divided by gross revenue. As I said, the industry average is 25%. What I typically will see companies doing is setting a trade rate for their customer teams that their accounts, their brokers and then letting them create promotion plans but not exceeding the targeted trade rate.
- Dan: This is what you would budget or the money you'd allocate for that. Is that a good way to look at this problem? I want to dig into this more in a minute. Here's what I mean, Kurt. If I'm a brand, should I automatically just put 25% ahead aside and say, "Okay, broker," whoever, "Go ahead and spend that money or you can spend up to this amount," et cetera or is there more I need to be thinking about?
- Kurt: Well you definitely need to track it. You definitely need to put some emphasis on that because that is what you're budgeting, right? Just going out and creating a plan without thinking about what you're doing or creating some kind of strategy around what you're doing, I think is shortsighted. I think there's a couple of principles that you have to keep in mind when you're, when you're putting your plans together, you have to think about first on distribution that when you are trying to get distribution that you are paying, you typically will pay some kind of fee that's referred to as slotting. If nothing else, slotting money becomes non-working funds, right?
- When you do have to pay slotting, I think it's important that you try and get something for it, try and get some kind of

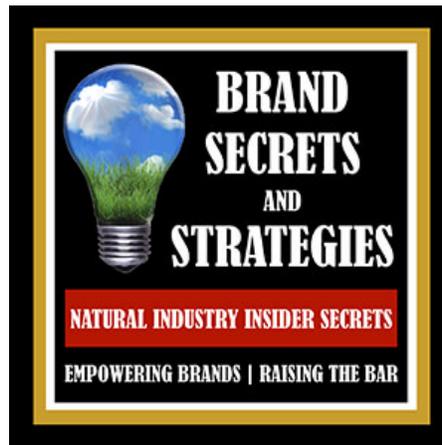


promotional activity, try to get something that will help get your product in front of customers and drive trial. Secondly is pricing. You have to be thoughtful about both your regular price and your promoter price, especially in natural products. They don't behave the same way as conventional brands, right? The typical high/low or EDLP pricing strategy doesn't always make sense, right? You have to put some thought into, "What is the best pricing strategy for my products and my consumers?"

Then on promotion, a couple of things that are really important in the early stage are trial. You want to do demos. You want to do sampling activities and then the next effective tactic tends to be displayed, right? Then, you also have advertisements in the mix. Again, those are not free of charge. You have to usually pay some kind of fee to get that and you have to create the right mix of promotion and pricing that's going to be effective for your products. When you first begin you, you don't have history. You've got to try different things and see what works and what doesn't work, right? That's one of the reasons why tracking what you do from the very beginning is so important.

Dan: Kurt, thank you for sharing that. I'm told as a brand that this is just a cost of doing business. Why is it that we're having this conversation? Why is this important? Is this something I just need to accept? Your thoughts?

Kurt: Well, I don't think you need to accept it. Again, I go back to this line item on your P&L is going to be at some point one of your largest, if not your largest. I don't think that it's the right thing to do for your business just to accept it as the cost of doing business. Yes, there are some elements that are required, but I think at the end of the day, it goes back to what we talked about

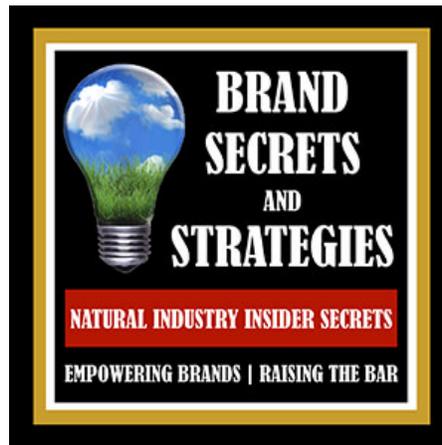


a little bit earlier which is not leaving money on the table and coming to outcomes that have a win-win conclusion result for both you and your customers.

Dan: Let me frame this way. As a brand, I've mentored literally hundreds of brands. I have the privilege of working with mentoring and helping a lot of different brands all across different channels, different categories. Every brand is unique and every brand is proud to say, "Here's what makes us different, our packaging, our ingredients or mission," or whatever. I have yet to hear a brand say that they were trying to be similar to some other brand or product on the shelf. Yet, what the frustration for me in terms of trying to help these brands out, we don't apply the same amount of creativity to our promotional strategies, to our managing strategies, to our category management strategies.

The reason this is important, the reason we're having this conversation is we're trying to give brands those tools and those resources where they can understand how this works, why this is important and how they can, in your words, maximize each and every opportunity to get the best outcome. Could you go into a little bit more? You were sharing with me a story about gardens. Can you talk about that because I think that's really relevant here?

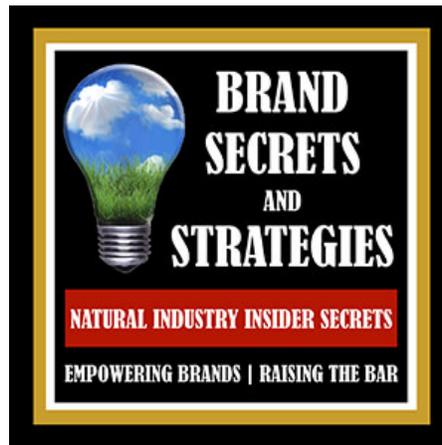
Kurt: Yeah. An analogy that I like a lot is that sales are like vegetables that you grow in a garden. Trade spending is like the water that you use to help them grow. If have a very passive approach to trade spending, the analogy you get produce, but you also are going to grow a lot of weeds. As your company grows and your distribution grows and your team grows, those weeds get bigger and the roots grow deeper. While at first you're very much



needing to spend to get trial, to get distribution, over time those vehicles don't do ... Your objectives change and you have to get more thoughtful about how you're spending your money. If you don't pay attention to it from the very start, the risk is that you're just growing weeds and they're getting bigger and the roots are getting deeper.

Dan: That's a great analogy. On that talking about they digging into a little bit more, if you're not paying attention to this, then you're actually creating more problems down the road. I've got an analogy I want to share as well. If you were to fly a plane, the pilot gets out and they look at the plane. They test everything. They make sure everything's fine before they're ready to take off. They've got the approval from the tower and they're ready to go. Then when they start to take off, they hit the gas. They put everything they've got to get that plane off the ground. However, if they don't pull back a little bit, then they're going to burn out the engine. The point being is that you've got to know when to pull back when to strategically focus on, what crops they plant in your analogy, what promotions are going to do the best or help you out the most.

Then to go one step further with that analogy, if you're not taking care of your crops or you're not paying attention to where you're flying to, well, the wind is constantly knocking you off course and you've got to continue monitoring that because if you don't, then you're at the risk of just throwing good money after bad. When you're talking about this strategy of gardening and you're talking about understanding and cultivating the weeds and making sure that you've got the right water and the right ingredients, et



cetera ... By the way, in this industry, it's clean water versus dirty water, in other words, walk the mud included.

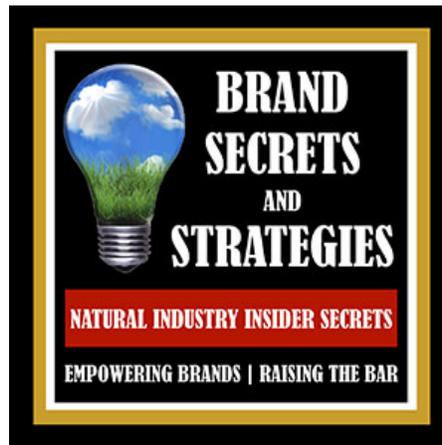
Kurt: That's right.

Dan: The point is there are ways to strategically get a better crop or a better a result if you use the right ingredients to grow your crops, et cetera. With that said, how does a company manage this effectively? What should they start paying attention to?

Kurt: Well, it goes back to what I was talking about before, Dan. It goes back to thinking about distribution, pricing and promotional tactics in a strategic way and being intentional about how you're going to do this and then the old adage, "Inspect what you expect." If you do not track what you're doing, you are not going to understand what worked and what didn't work. Especially this industry, you're very likely to just do the same thing over and over again.

Dan: Which is the fallacy of all brands and literally every brand struggles at trade spending. This is something that is unique to natural, literally, all brands including the big brands have a difficult time with this. You mentioned earlier that natural is different than mainstream when it comes to trade spending. What did you mean by that?

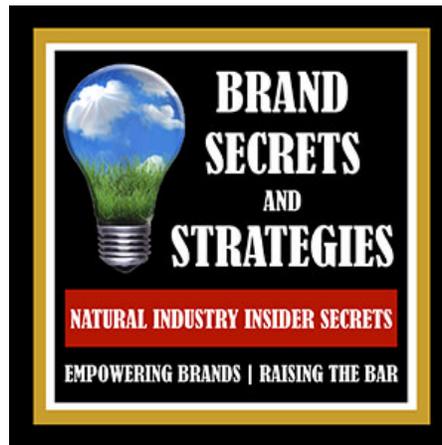
Kurt: In the natural channel, the shopper is different than that of a conventional brand. I think the biggest dynamic is price sensitivity. The natural shopper views the products they buy as part of their lifestyle. Not to say that conventional shoppers don't, but they have a specific mission when they are at the grocery store, right? One of the things that I think is demonstrable is



price sensitivity. They are not as prone to look for deep discounts on products that they buy. That means that you can approach your pricing differently than a conventional brand.

Dan: On that note, I appreciate your sharing that because I don't think that a healthy brand should ever have to apologize using quality ingredients. Let me explain. If you are what you eat, then what you eat matters. That's the core difference between the core natural shopper and other shoppers. What I mean by this is if I go, I love this analogy and, I go into a store and I buy the generic bread or eat a generic bread, I'm hungry almost before I eat it and finish eating it. If I buy the best mainstream bread, that's whole grain, et cetera, I might be satiated for three hours or four hours or something like that. If I eat the best organic bread and if you are what you eat and what you eat matters and if that bread provides the nutrients that my body needs, I might be satiated longer.

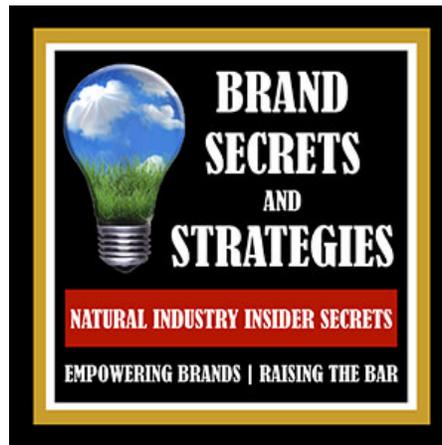
The point is this. If I spend an extra 30¢ to 50¢ or whatever more at the shelf, I know that I'm saving money in the long run because I'm going to eat less bread. That's one of the arguments that I wish we would use better as an industry. That's why we're having this conversation. That's why I do what I do. The point is this. You should be able to leverage that mindset to help retailers understand what unique about your shopper. By the way, when I buy organic bread, I'm probably going to buy organic spreads and a lot of organic products and other departments. The point is that as a customer I'm far more valuable to the retailer than the customer that comes in and buys the cheap stuff. Your thoughts?



Kurt: Yeah, that is 100% true in from my perspective and then just getting back to the topic of pricing and promotion and ultimately trade spending, trade marketing, that means that your approach is different. If you just turn over a trade rate and tell your broker or your account reps, and your account reps have probably had some experience somewhere else, if their experience has been in conventional and your broker's experience is conventional, then I think that there's risk that you are leaving money on the table and you're not maximizing the effectiveness, the efficiency of this expense that is such a huge part of your P&L.

Dan: Thank you for sharing that and let's go one step further. A lot of times those people through no fault of their own, they don't understand your business, they don't understand what unique about your customer, that's one of the big problems, we'll work on that in a minute, but they take the path of least resistance. That's a lot easier to go into a retailer and write a check than it is to challenge the retailer as to whether or not this particular promotion makes the most sense for you the way the retailers laid it out. As we're going down this path, one of the challenges that I find, especially in the natural channel is that the data is not available to the natural brands the same way as to mainstream brands.

Mainstream, I can find out what I saw, what store, how the volume was, what my lift was when it was promoted, lift meaning the incremental sales. There are a lot of things that I can do to really understand and analyze what actually happened within a promotion. The natural channel, that doesn't exist. For example, I don't know if you knew this or not, but you can if you wanted to know how your products competing or how your product's doing

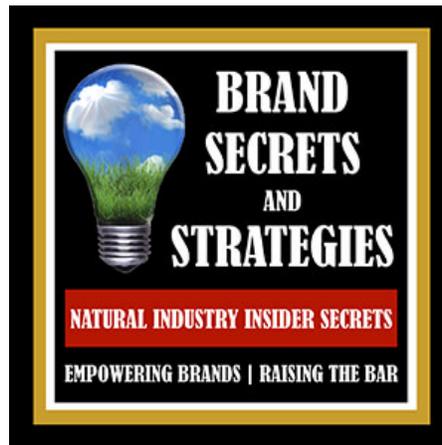


compared to the category in Denver, Colorado for natural food stores, that's a question you can't answer. If you want to know how your product is performing in terms of promotion within Denver stores at natural food stores, that's something that you can't get either.

You can tell how your product performed against itself, but that's not everything we need to measure. We need to understand the entire category. My point is this, it's more important for natural brands to understand the components of effective trade spending so that you can make the best decisions to help manage your brand. Your thoughts?

Kurt: Data is a critical piece of any analysis. What you're saying is very true. At the end of the day, you have to work with what you have. What you have is going to build over time, right? It's going to start out being very rudimentary. Over time, you're going to get access or perhaps dedicate resources to different toolsets, different datasets. There's no replacement for just rolling up your sleeves and doing the assessment that you can with the data that you have instead of doing nothing at all.

Dan: Exactly. You've got to understand what you've got to work with. Again, that's why we're having this conversation. Best-case scenario, I helped with a promotion at Kimberly-Clark where I was able to allocate the product into which store specifically, so we had no out of stocks. We had no back stock at the end of the promotion and we had a huge bump. To be able to do that took a tremendous amount of resources and understanding who buys what, where, et cetera. The modeling that I had to do to be able to accomplish that required a lot of insights and a lot of data that's just not available in the natural channel.



To your point, if I'm working with a retailer and if I can help the retailer drive sales in their category, savvy retailers might even share their data with you. If that happens and you can leverage that data or even your shipment data to understand how you're driving sales within the store then the retailer. There are some other metrics we need to look at, but where I wanted to go here, Kurt, is that canned topline templated reports are not going to help you. In other words, the same strategies that a brand uses to sell motor oil is not going to help you sell baby food or something like that, organic baby food.

As we're beginning to unpack this and understand this, what are your beliefs or your feelings around how brands should manage it? My belief is that a brand needs to remain captain of his own ship and not farm this out to anyone other than the brand. Your thoughts?

Kurt: Yeah, the biggest thing I would recommend is creating some objectives for pricing and for promotion for your brokers, for your salespeople and objectives will include price guidelines and objectives that might include promotion frequency, promotion depth of discount and tactics. That's at least creating a hypothesis of what you think is best for your business. Then executing that, tracking it, seeing what works and what doesn't and making adjustments and not just repeating what you've done period after period after period.

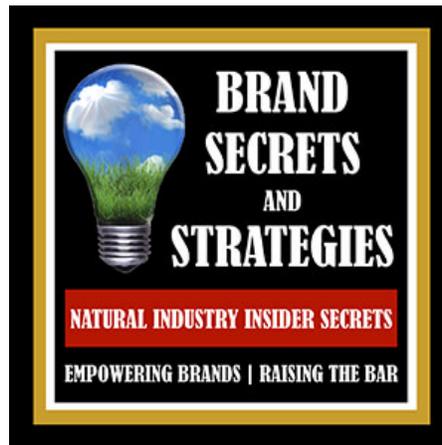
Dan: On that note, I recently relaunched an Effective Broker Management course where I go into this exact topic, scorecards, and KPIs. A scorecard is a great project management tool. A scorecard is something that you can use to help drive sales, hold people accountable, et cetera. What I mean by that is if I've got a



promotion and I want you to help me with it, Kurt, I'm going to tell you when I need you to bring the product into the store, when I need you to order the product, when I need you to set up the displays, everything. Then I can go back over time and hold you accountable and then later in the future I can go back to this promotion and see how did it work. Now the KPIs, are important because those are the guidelines, the guardrails.

In other words, how do I want you, as you said and well said, thank you for putting this out there, what is the price point that I want you to achieve? How do I want product merchandised? Where do I want the product merchandised? These are just the basic fundamental things that every brand needs to leverage. By the way, we're collaborating on a course about trade marketing essentials and I'm going to include that module in there. I think this is one of the most effective ways that any brand can manage their trade spending without a big budget, first of all, and then secondly without the robust resources that other brands have. Your thoughts?

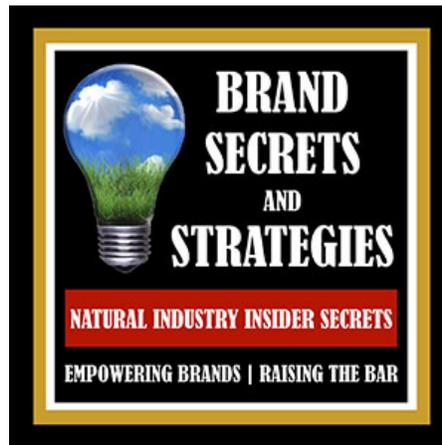
Kurt: The starting point is using some kind of template to document your expectations and then going beyond just, just leaving that as artifacts and updating it, keeping it current with results. Again, it's not every piece of data that's out there or every kind of execution variable that you want, but you will have some indications of performance. You will have your shipments. You will be able to see where shipment spikes are taking place for promotions. That's going to allow you to have a rudimentary understanding of promotion performance, right? I'm using scorecards to hold people accountable. 100% agree.



Dan: On that note, again getting back to why you need to own this and not farm this out. Brokers, distributors, et cetera, they've got objectives, but at the same time, they're managing a lot of different brands and they don't understand what's unique about your customer. As we're talking, managing this and leveraging these strategies, what recommendations would you have for a small brand and an immediate brand and a more advanced brand when it comes to managing your trade spending? By the way, those definitions, I'm sorry, are loosely defined. Say an upstart brand, a brand that's got a little bit of traction and a brand that's thriving.

Kurt: Sure. What I typically see is brands that are just starting to break out, their drive is to maximize revenue, right? They are trying to get distribution. They're using promotion vehicles to get trial. The things that I typically will see is the creation of a plan, the setting of a volume objective and the setting of a trade rate. Then, the plan gets executed. The topline sales reports will indicate overall success or lack thereof. As I said before, I think the shortcoming is not taking a look back at the specific activities to see what worked and what didn't work. That's just a general trend that I see. That's one thing that a small company that's just getting started I think would be very well to do is try to get as good of an understanding of trade as you can from day one.

Then as a brand is taking off, what happens is distribution grows, I mentioned this earlier, distribution grows, the number of people involved in the process grows, the number of transactions grows, the number of deductions grows. This just creates pain points and bottlenecks. What people are looking for at that kind of phase is a tool that will help them keep everything in one place, put a

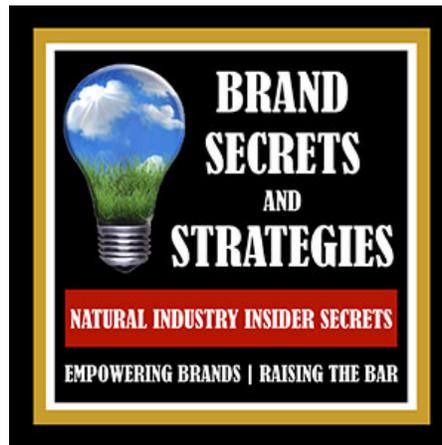


system around the process and more easily be able to roll up data. Then as a brand is at maturity, you're really trying to squeeze every little ounce that you can out of your trade spend. In this phase, the topline business objective tends to shift from maximizing sales to maximizing profit.

There's a kind of organizational things that take place here like reviewing your investment in selling expense, but ultimately what happens here is a lot of cost-cutting, right? In the promotion space specifically, there's a real desire to understand the return on investment of promotion activity and again get rid of the stuff that isn't working and do more of what works. The problem is that if you get to that point and you haven't been doing some tracking before that, having some understanding of promotional performance before that, you have a very difficult starting position.

At this point, assuming that you do have some benchmark on what you've done historically, the space that companies tend to look at is optimization and using modeling, using advanced analytics to predict outcomes of different scenarios.

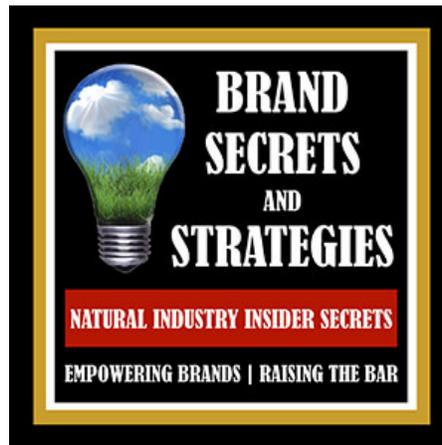
Dan: Kurt, thank you so much for sharing your wisdom and your insights. This has been great and then understanding and the knowledge that you're providing and helping us understand has been invaluable. At the end of the day, to recap, I think it's critically important that brands own this. I think it's critically important that brands have at least a cursory understanding of what trade marketing is, the different components of it, et cetera and that as they begin to grow, they begin to invest more and more into this so that they can maximize it effectively. Your thoughts?



Kurt: Yeah, I agree 100% and I conclude with three key points. The first is to make an understanding of trade spend performance a priority from day one. Second is to create yourself a game plan that goes beyond just managing your spend to a rate. Number three, and I know you believe in this a lot, is negotiate everything. There are unique things that you bring to the table with your product that are beneficial to your retail partners. In a sales organization, that's part of the role, is negotiation and gets every dime of trade spending possible working for you in some kind of activity that introduces consumers to your product and helps grow sales.

Dan: I'm so glad you said that, thank you, because that's one of the most important things about all of these, all these strategies that we're talking about how to leverage them to effectively grow sales, how to leverage them with your retailer. Why this matters is that there've been several occasions in my past where I've been able to leverage my relationship with the retailer, on my ability to write a check to get incremental promotions, incremental displays, incremental pricing opportunities, et cetera, that other brands that have to pay for. More importantly, by being able to leverage these strategies and like you said, thank you for bringing this up, negotiating, you can actually say to the retailer, "No, I can't afford to just write a check 10 times a year for all these different promotions."

However, since I know my business really well and I understand your customer really well, I can afford to do to three or four deep dive promotions that are more robust, that are going to do more to drive the needle, that are going to do more to grow sales for the retailer, always want to be speaking in terms of how do you



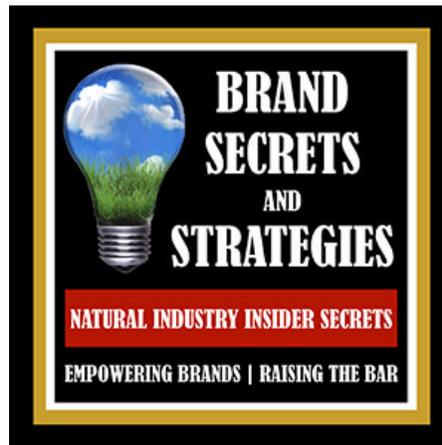
help the retailer achieve their objectives. Thank you for bringing that out. Any last parting thoughts you want to throw in there?

Kurt: Well, the only thing that I don't want to under recognize here is that the steep climb that a new product, a new brand has into getting distribution and growing. It is no easy feat. In the initial phases, the manufacturer is needing to grow their leverage. They're starting from an entry point that's very low, right? Especially with relation to pricing and promotion, if you could go in with a game plan, I think you put yourself in a much better position to be able to negotiate as you learn, as you learn how your product performs and not fall into the trap of just doing the same thing over and over.

Dan: Well said, thank you. Retail is a marathon. It's not a sprint. This is not going to happen overnight. However, if you can effectively leverage these strategies that we're going to talk about not only here but the rest of the other content that we're putting out, we're working on together, that's going to help brands compete at a much higher level. It's going to help you get more runway out of your available resources. It's going to help you put you in a position where you're going to be able to pay your investors back quicker or even better yet be able to negotiate better terms for the capital that you need to raise because you're more valuable as a brand because you know how to manage these things.

Thank you so much for bringing all that up. Can you please share how to get a hold of you and then your web address, et cetera?

Kurt: Yeah, you reach me at kurt@viaggiotrade.com. That's K-U-R-T @ V-I-A-G-G-I-O-T-R-A-D-E .com. You can reach me via internet at viaggiotrade.com and the telephone is (847) 497-5429.



Dan: Great. Thanks. I appreciate your time, Kurt. Thanks for coming on and for sharing your time and I look forward to our next conversation.

Kurt: You are very welcome, Dan.

Dan: I want to thank Kurt for coming on today for sharing his wisdom and his insights. It's really great to have a perspective of someone who's been working in this position for so many years, especially someone who's been working with so many different brands, from big mainstream brands to smaller brands. Look for more great content from Kurt and myself. We're putting together a course that you're going to want to check out. It's going to tell you everything you need to know about trade marketing. The name of the course is Trade Marketing Essentials and you can get there instantly by going to brandsecretsandstrategies.com/trademarketingessentials.

Today's free download is by the same name, Trade Marketing Essentials: To Grow and Scale Your Brand. In this free download, I share some of the key things that you need to be aware of when developing a solid trade marketing strategy, and now, you can get that along with today's show notes at brandsecretsandstrategies.com/session155. Thank you for listening and I look forward to seeing you in the next episode.

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Thanks again for joining us today. Make sure to stop over at brandsecretsandstrategies.com for the show notes along with more great brand building articles and resources. Check out my free course Turnkey Sales Story Strategies, your roadmap to success. You can find that on my



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Sign up today on my website so you don't miss out on actionable insights and strategic solutions to grow your brand and save you valuable time and money.

I appreciate all the positive feedback. Keep your suggestions coming.

Until next time, this is Dan Lohman with Brand Secrets and Strategies where the focus is on empowering brands and raising the bar.