

# Product Allocation Strategy Based on Marketing Strategy



## Applies to:

SAP R/3, ECC 6.0. For more information, visit the [Business Process Expert homepage](#).

## Summary

Product Allocation<sup>1</sup> is an efficient tool to implement marketing strategies in an organization. Business process expert should work with the Marketing Manager to optimize Product allocation Strategy and maximize profits. The paper also aims to set base for reevaluation of an already implemented business process around product allocation.

**Author:** Kapil Nagalia

**Company:** Infosys Technologies limited

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## Author Bio



Kapil Nagalia is a Senior Consultant at Infosys and has over 6 years of professional work experience. He has on various implementations and Rollouts for chemical industry. His expertise is in processes in the M2S, OTC and PTP business processes.

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## Business Scenario for Product Allocation

In the scenario where the demand for a product could be more than the supply there is an ever increasing pressure on the Marketing team to incorporate innovative strategies that can stimulate revenue growth and at the same time improve profits. Successes of some of the strategies like Marketing-Mix selection, product positioning, etc are based on the fact that the right product will be available (at the right time and right place) to facilitate execution of the strategy.

Allocation can serve as an effective tool to realize some of the many strategies designed with the aim to achieve the above. Business Process experts are incorporating Allocations as a set of standard available best practices in the OTC process to aid the marketing and planning functions to carry out their operations effectively.

## Allocation as a Business Process

Allocations can compensate for ATP's weakness in scenario of constrained supply of products. Allocation or Quota management system can supplement order promise functionality to control supply of products as per marketing strategy to maximize profits. While Available-to-Promise (ATP) can confirm sales orders on first come first serve basis, product Allocation help to implement the ability to prioritize confirmation based on a set of rules.

Some of the common areas where Product Allocation can be applied are as follows:

- Common Supply organization can control supply to different marketing companies
- Marketing Manager/ Sales Manager can control stock availability within Sales Organization
- Sales Manager can set quota for his different sales staff members
- Sales Representative can control stock available to its key customers
- Marketing can control confirmation to 'Push' substitutes that are available in abundance
- Sales can devise controls for Product Catalog management for each sales area
- Supply Manager can manage supply in case of production breakdown or demand increase
- Sales Manager can make product available for a priority customer

## Implementing Product Allocation

While product Allocation should be part of business process best practices the decision to implement it should be driven by business strategy. Allocation Strategy should be in line with overall marketing strategy for increase profits and revenue. It should not be used with an aim to realize business management controls. This is because Allocation can add complexity to the existing business processes in the organization by introducing requirement of new roles or addition of new responsibilities to existing roles. These roles may require skills upgrading and might make system usage more complicated for the end users.

Product Allocation can serve as an effective tool for Marketing Managers to maximize profits in their target market by blending the marketing mix in an effective way.

Fig: Implementing Product Allocation according to Marketing-Mix.



## Issues

Big organizations are spread across numerous countries globally and typically have a product catalog with numerous SKUs. This along with a variety of different business processes will make it difficult for business process owners to align Product Allocation strategy to marketing Strategy. Some issues that a company might face:

- Product Allocations used for some other purpose other than a solution for serving Marketing Strategy.
- Difficulty to adapt product allocation with changing/evolving Marketing Strategy.
- Marketing Managers feel that there will be loss of strategic trade secrets in the process.
- Increase of business process ambiguity for sales and supply teams selling products under product allocation and those not under product allocation.
- Due to specific business situation it will be difficult to define a standard business process across organization.
- Underestimation of inherent complexity that Product Allocation will add to business process complexity and risk.
- Difficulty in identification and reporting of key KPIs due to distributed information sources and different process owners.
- Incomplete cost-benefit analysis during decision making process to implement Product Allocation.
- With a number of internal customers with varied level of usage of functionality it is difficult for the IS organization to charge the cost of solution to each of the businesses accordingly.
- Business process less mature and more emphasis and dependence on individual judgment increases cost of maintenance of Allocations.
- Difficulty to balance the necessary workload with the need for updated information related with Allocation.
- Intensive focus on information exchange between different levels of the organization (Global, Regional, and Local) and different functions (Supply Chain, Finance and Budgeting) can make the implementation of the Allocation processes ineffective and costly.
- Adjustment of Allocation to the Estimated Supply could potentially lead to loss of Sales.

## Success Factors

Considering some success factors as mentioned below will increase probability of success of a Marketing Strategy around Product Allocation. The key lies in the fact that how well an organization's IT strategy is tied with its overall business strategy. Some of the important points worth considering are:

- Use of tools like PML<sup>2</sup> to gain insights in evaluation of success of business process.
- Building process KPIs not only around revenue improvement but also on profitability improvement considering operational cost of new business process.
- Link the KPIs to the responsibility of the Area/ Functions of the organization.
- The Marketing Strategy should also account the cost of implementing Allocations (cost of implementation, cost of master data maintenance, cost of Allocation business process maintenance, cost of maintenance of workflows, cost of maintenance of reports, cost of maintenance of custom development, ect) while performing the cost-benefit analysis.
- Activation of proper authorization control for intelligent dissemination of sensitive information.
- Consider reorganization of sales organization to align sales force to effectively execute marketing strategy.
- Applying Product Segmentation based control strategies that can be re-used with changing Marketing Strategies.
- Automate as much as possible all the work around master data management for allocation to improve efficiency and decrease chances of error.
- Provide good training material to build sales staff competencies to manage work on allocation. If required create full-time strategic positions like allocation manager in case of complex work processes.
- Leverage IS process maturity like SOA, to simplify business process complexity within the organization.
- Implementation of solution other than Product Allocation for issues regarding inventory control and distribution control.

## Related Content

- [http://help.sap.com/saphelp\\_47x200/helpdata/en/93/744d05546011d1a7020000e829fd11/frameset.htm](http://help.sap.com/saphelp_47x200/helpdata/en/93/744d05546011d1a7020000e829fd11/frameset.htm)
- <https://www.sdn.sap.com/irj/sdn/bpx-cycle>
- For more information, visit the [Business Process Expert homepage](#).

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