

How to benchmark your organisation without using external Consultants

July 2012

“There is always a better way”

B4P researches, audits and quantifies Sales and Marketing processes to improve performance efficiency, effectiveness and ROI in large Fast Moving Consumer Goods firms.

www.bforp.com



Why this guide?

If you have downloaded this article you may be considering or involved in a benchmarking exercise in your company. For example, you may need to make decisions on:

- Headcount
- Structure or a restructure
- Performance improvement...

...or you may just be curious about *what good looks like* and *who is good*.

The challenge you will face is that you may have little or no resource, or you may be the only resource. A further challenge is that you may have only a limited range of contacts in Fast Moving Consumer Goods (FMCG) in other firms to talk to and use as a research resource. And finally, you may be challenged by having no existing processes or metrics to benchmark.

If the above comments sound like your challenge and your situation, please read on.

What types of benchmarking typically work in FMCG

There are four types of benchmarking done around the world in FMCG:

1. Process
2. Performance
3. Functional
4. Strategic

They do overlap, but separate studies have been observed (and conducted by Benchmarking for Performance – B4P) in all four.

1. Process benchmarking asks: *how is it done?*

Process benchmarking is to identify and observe the best practice in a number of firms. It requires analysis of how other FMCG companies go about doing their Sales and Marketing work.

2. Performance benchmarking asks: *are we good and if not, who is?*

This is used to assess a specific competitive position, and answer the question: *How good are we at (for example) key customer engagement?*

3. Functional benchmarking asks: *how do we get good?*

This can be used to answer the question around a specific function. For example, in FMCG a Marketing Director may want to know if his/her team is able to run new communications processes such as Word of Mouth or Social Media, or s/he may want to ask the same question of his/her agencies. Another example: determine if the Sales team is doing the correct number of calls, compared to similar categories and indirect competitors, and whether these calls are of a similar high quality in the topics they cover, and the commercial objectives against which they deliver.

4. Strategic benchmarking asks: *what do we need to do, to win?*

This approach is a combination of the foregoing three but it has the specific outcome of delivering a long-term capability that is a source of competitive advantage. For example, a company may want to get better at activation of its brands at the point of purchase (POP), so it would investigate and research what other companies in similar (but not identical) categories have achieved to give them a competitive edge, and then quantify that competitive edge to determine whether or not there is a return on investment (ROI) for their own proposed goals, then develop the processes to win.

How to do it – watch outs, and pros and cons

| No. | Step | You can... | Watch outs |
|-----|--|---|--|
| 1 | Determine the topic. | Consider either a function-specific study, or a broad-based strategic study. Create a <i>we need to know</i> list. | Many problems that you may wish to address in the organisation have been previously badly defined. That's why they haven't been fixed. So spend as much time as possible on this stage, make sure you define the actual problem that you want to research. |
| 2 | Define how you will go about the benchmarking. | Look at either processes or metrics (or both). | The more you wish to gather, the more expensive in time and resource it will be. So take time to refine just the key processes and metrics. A metric must be both specific to the process, and overall must represent an outcome from the processes working together. |
| 3 | Identify your indirect competitive set. | ...not just use indirect competitors. If you decide to use an external Consultant they will be able to do a blind study, subject to all parties signing confidentiality agreements. | Do not pick companies that are very similar to yours as the principle of benchmarking is to look at companies who are good at a process or metric, but go about being successful in a different way. Ideally, you want a mix of direct and indirect competitors, who may have tackled your challenges before, but in a different way to the way you have. In FMCG look for companies in channels and categories that are different to yours. |
| 4 | Identify data sources. | Interview in-depth; use formatted quantitative questionnaires; and observe. Or a combination of these three. | Quantifiable metrics and qualitative processes must work together, if you choose to use more than one. The more data sources you use, the more reliable your research will be, and the more credible amongst your peers and colleagues. |
| 5 | Collect data. | Decide, depending upon your data sources, how you will execute one or more research techniques to gather your data. | Subjectivity, opinions, internal focus, <i>solutionitis</i> – people only gathering data to confirm their own pet theory. |
| 6 | Determine who's best. | Identify the key performer in one or more of the aspects that you are researching. Go talk to them. | Make sure you have both quantifiable and qualitative justifications for them being the best at this. Qualitative alone may be too subjective and may be unsubstantiated, without quantitative. |

| No. | Step | You can... | Watch outs |
|-----|--|--|---|
| 7 | Establish process differences. | Determine how far away from <i>good</i> you are at this stage; determine if you are the best; determine how the successful company got good. | Make sure that you have a range from bad to good and that your sample companies sit across the range. If you find that they are all very similar, you have not defined the process and metrics correctly, and/or you have the wrong types of companies. |
| 8 | Identify your areas for performance improvement. | Run prioritisation and debrief workshops to make sure your company does not try to get good at too many things at once. | Doing Too Much (DTM). |
| 9 | Communicate. | Debrief all the stakeholders who you interviewed in your data collection phase; debrief indirect stakeholders such as overseas parents; and debrief the key managers depending on whether this is a <i>process, performance, functional</i> or <i>strategic</i> study. | Ignoring the people who save their time for data collection. Getting into arguments about subjectivity and opinions. Use your quantitative data. |
| 10 | Adjust your company's goal. | Use your newly prioritised areas for improvement, or competitive advantages to modify your strategic plans. | Companies can veer from being insufficiently ambitious/happy with the status quo...to trying to get good at everything. See DTM above. |
| 11 | Implement. | Now roll this out. | Resistance to change. Functional silos. Budget protection. |
| 12 | Review and recalibrate. | Consider re-running your study, with improvements and learnings every year or two, in particular to review the metrics. | The company treating this as a one-off and only using it depends on one particular question such as: <i>Should we restructure?</i> Ideally, benchmarking can always help in strategy development and ongoing performance improvement. |

Resource

You will need three types of resource if you are running this as an internal study:

1. Time spent in scoping, and problem definition (which could include at least one or two senior stakeholder workshops to scope, and two or three days of desk research to develop the process benchmarks and metrics).
2. Time spent in gathering the data – if you use qualitative research, this could be up to 20 or 30 one or two-hour interviews. If you decide to use quantitative data collection, this will also include the design of the questionnaire and sending it out.
3. Reporting and data-basing. The data capture, analysis of data, and reporting will take on average one to two weeks for a Sales and Marketing study in FMCG.

Further reading

Boxwell: *Benchmarking for Competitive Advantage*. Published by Kaiser Associates.

What is being benchmarked now?

In the current economy in 2012-13, a lot of benchmarking is around structure, costs and headcounts. This is also followed by work in *performance* benchmarking and this is mainly around what makes Sales and Marketing departments work together more functionally, to activate brands better at the point of purchase.

Contact us

PHONE +61 2 8005 0753



Benchmarking for Performance

FACSIMILE +61 2 9293 2930



#bforp

EMAIL info@bforp.com



Benchmarking for Performance

WEBSITE www.bforp.com

WEBEX [bforp](#)