

# Best practice metrics

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**“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.

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## FMCG today

Most Fast Moving Consumer Goods (FMCG) firms will say that they have a competence in using data and market research. They acknowledge that data and research is more available and used than ever before in FMCG Sales and Marketing. Yet some companies make better decisions that result in increased sales, awareness, consideration and trial than others. And, some companies have evolved, funded departments or functions that look after data and research, that drive and coordinate the critical strategic planning process.

Those companies that have invested in data and research evenly, treat data and research as one of the five investment classes:

1. (Data, research and insight)
2. Cash
3. Equipment (i.e. merchandising innovation)
4. People
5. Time/prioritisation/focus

## What does good look like?

1. The companies which use data and research to make better quality decisions by measuring the *right* things. In FMCG companies this means they measure both the relative efficiencies of different investment types, and the outcome (effectiveness) of the investment. As well as measuring the individual investment types, they measure how all investment works together. For example, the companies would measure the overall rate of trial of a new brand or SKU, but they would also benchmark the relative efficiency of value adding in-store promotions, versus pricing discounting promotions. If Sales and Marketing functions are allowed to measure in silos, without using relative benchmarking of their different metrics, a true picture of *trial* (in this case) will not be available for future decisions or post-launch evaluation).
2. Companies ensure that the four *strategic* areas that require measurement are all covered:
  - Competitor benchmarking
  - Consumers and shopper research
  - Retailer satisfaction, and the emerging area of customer *engagement*
  - Internal performance and operational efficiencies
3. There is a focus on the *interfaces* that allow data to be presented, used and analysed. Emphasis is placed on dashboards and scorecards, to assist those managers who are time poor, as well as to enable those who specialise to deep dive and model. For example, if a Key Customer Manager is writing his Account plan, there are 17 key indicators across eight tables that are needed to properly analyse data. Good analysis will lead to around 25 insights for each Account plan, if these tables are correctly set up.
4. Companies ensure that the people who use data are treated as customers. Research has shown that if a group of managers is simply given data and asked to analyse it, even in a user-friendly *interface*, it will get around 55% of the insights of a second group who are given a proper process to analyse and up-skilled in using data.
5. Investment in data and research is planned and sourced dynamically. What gets measured gets improved, so as a result when the investment decision is made each year, new areas that need to be measured, and new ways of measuring, need to be factored into the budget. For example, Social Media is being measured in new ways and the tools for measuring Social Media need to evaluate it for their ROI, and whether it will give new insights to Brand Managers and Channel Managers in writing their Brand and Channel plans.

## How to improve data and research

Companies that are less sophisticated and do not have all the data they need, can begin their data and research strategy by ensuring that what they have now is properly formatted, and their key stakeholder managers properly trained to use it. Once done they can then move on to the more dynamic approach of auditing what they need, developing a cost benefit of having the data, and buying more.

## Customers

In FMCG firms, organised retailers now play a dominant role for many categories and suppliers. While retailers will claim that speed to market is one of their key measures, and suppliers often lag on this metric, it is important that retailer engagement is very thoroughly understood. The area of satisfaction and benchmarking is currently relatively underdeveloped and retailers are not being truly measured for their *engagement* – a scale that looks at a number of purchase predictions, and receptiveness to supplier initiatives.

**Figure 1: Process Focus Area Metrics**

| Process Focus Area (PFA)   | Sample/metric   | Symptom: if PFA is underdeveloped   |
|--|---|---|
| <b>PFA 1</b><br>Company strategy integrates with Sales and Marketing strategy  | <ul style="list-style-type: none"> <li>Incremental growth (not share steal)</li> <li>New users/consumers</li> <li>New usage occasions</li> </ul>                            | <ul style="list-style-type: none"> <li>Over-reliance on traditional brands to get growth via promotion</li> <li>Serial difficulties in hitting volume and value targets</li> </ul>  |
| <b>PFA 2</b><br>Portfolio and brand strategies build on company strategy and drive major customer and channel/field activity                               | <ul style="list-style-type: none"> <li>Ratio of old versus new products</li> <li>Ratio of NPD versus line extensions</li> <li>Number of new SKUs in new channels</li> </ul> | <ul style="list-style-type: none"> <li>High number of mature brands</li> <li>Low number of fast growth brands</li> <li>Absence of challenger brands</li> <li>Brand planning process/tool identifies few ownable growth opportunities (&lt;10 x per brand)</li> </ul>              |
| <b>PFA 3</b><br>Consumer and shopper insight supports strategy development and delivers tracking and new learnings to drive competitive advantage monitors | <ul style="list-style-type: none"> <li>Number of projects with measured ROI</li> <li>Number of projects that drive incremental growth</li> </ul>                            | <ul style="list-style-type: none"> <li>High-risk decisions made without research</li> <li>In excess of \$500K spent on research, but not easily accessed, or can be ignored</li> <li>Absence of Brand Manager training in briefing, leveraging and evaluating research</li> </ul> |
| <b>PFA 4</b><br>Above-the-line (ATL) and below-the-line (BTL) reinforce and deliver marketing strategy   | <ul style="list-style-type: none"> <li>ROI for each phase of consumer disposition (awareness, trial, re-buy, repertoire, advocates)</li> </ul>                              | <ul style="list-style-type: none"> <li>Brand planning process lacks formal specific evaluation of each message and medium</li> <li>Absence of consumer disposition metrics – only volume and value in use</li> </ul>  |

| Process Focus Area (PFA)  | Sample/metric   | Symptom: if PFA is underdeveloped  |
|---|---|--|
| <b>PFA 5</b><br>Category, shopper and point of purchase (POP) plans activate on strategy  | <ul style="list-style-type: none"> <li>Share gain and incremental growth from more product bought more often; more consumers in aisle/selection</li> <li>Number of research-based recommendations executed</li> </ul>   | <ul style="list-style-type: none"> <li>Function/department exists but has no distinct competencies; does not enable/provide more purchase occasions for improved average weight of purchase (AWOP)</li> <li>Function/department exists but does not produce anything</li> <li>Lack of incremental growth via POP activation</li> </ul> |
| <b>PFA 6</b><br>Channel and customer/distributor strategic and operating plans (S&OP) integrate regionally and align with business unit plans | <ul style="list-style-type: none"> <li>Incremental growth</li> <li>New users</li> <li>New brand – consumer touch-points</li> <li>Organised versus non-organised volume/value ratio</li> </ul>   | <ul style="list-style-type: none"> <li>&gt;60% share in one channel</li> <li>Reliance on &lt;10 customers</li> <li>Absence of direct supplier dialogue with consumer; retailer prevents or offers expensive opportunities</li> </ul>   |
| <b>PFA 7</b><br>Global and national customer management defends and enhances terms  | <ul style="list-style-type: none"> <li>Number of customer-specific products, packs or promotions</li> <li>Core range stocked in all regions/store types</li> <li>Activity levels (bang for buck) consistent across all regions</li> </ul>                     | <ul style="list-style-type: none"> <li>Parallel importing possible by retailer</li> <li>Risk of M&amp;A by customers revealing different terms</li> <li>Trading terms aligned</li> </ul>   |
| <b>PFA 8</b><br>Customer engagement capability enables success (Account planning)   | <ul style="list-style-type: none"> <li>Customer profitability</li> <li>Number of brand activities executed in full, early in cycle/period</li> <li>High number of new products accepted and successful</li> <li>Satisfaction and engagement scores</li> </ul> | <ul style="list-style-type: none"> <li>High number of reactive top-to-top meetings</li> <li>Non-aligned businesses</li> <li>Promotional spend not activating brands</li> <li>Promotion design not creating trial</li> </ul>  |
| <b>PFA 9</b><br>Trading terms support strategic direction and drive the right outcomes  | <ul style="list-style-type: none"> <li>Volume, value and profit</li> <li>Brand activation via promotion (awareness, trade, re-buy, repertoire, AWOP)</li> <li>Number of over and aboves</li> </ul>  | <ul style="list-style-type: none"> <li>Promotions only manage to switch share</li> <li>Ceilings not monitored</li> <li>Main dialogue is about margins – not growth</li> </ul>  |
| <b>PFA 10</b><br>Supply chain delivers customer satisfaction  | <ul style="list-style-type: none"> <li>DIFOTAO</li> <li>Inventory pipeline</li> <li>Forecast accuracy</li> </ul>  | <ul style="list-style-type: none"> <li>Customer satisfaction and <i>hygiene factors</i> too problematic to enable strategy conversations</li> <li>Numerous roles contributing to forecasts – all care and no responsibility</li> </ul>   |

| Process Focus Area (PFA)   | Sample/metric   | Symptom: if PFA is underdeveloped  |
|--|---|--|
| <b>PFA 11</b><br>Sales and operations planning (S&OP) delivers customer satisfaction | <ul style="list-style-type: none"> <li>Percentage of activities done in-store, in full, in first half of cycle</li> <li>Call duration, call frequency, number of A, B, C, D stores called on per head</li> <li>Headcount – cost</li> <li>Number of management levels</li> </ul> | <ul style="list-style-type: none"> <li><i>Emperor’s new clothes</i>; Field team will not tell Marketing team “It can’t be done”</li> <li>No one senior stakeholder believes the program is achievable</li> <li>Lack of clarity on how priorities will be 100% executed, or unsophisticated prioritisation (e.g. Gold, Silver, Bronze)</li> </ul> |
| <b>PFA 12</b><br>Field sales effectiveness   | <ul style="list-style-type: none"> <li>Customer engagement</li> <li>Number of SKUs taken above core range</li> <li>Number of over and aboves achieved</li> <li>Activation of trial objectives</li> </ul>  | <ul style="list-style-type: none"> <li>All store calls use the same frequency, activity, call duration</li> <li>Stores treated as distributors – not activation/communication/touch-points</li> <li>Sales force automation absent; or in use, but not leveraged by Category Development team</li> </ul>  |

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