



Optimising Channel and Category Marketing Functions

Are categories being grown effectively by spend and trading terms and at the point of purchase? This is a key accountability for these functions...

This white paper demonstrates what good looks like in the emerging channel and category marketing functions in top FMCG firms. Some companies call these “channel marketing”, some call them “category marketing.” In depth interviews with client stakeholders reveal that it is not just the name of this function that can be confusing... *“they did some promotional effectiveness work, but I have no idea what else they do”* is a typical comment.

This paper is based B4P’s on-going benchmarking and metrics work with the Top 42 global FMCG firms in the U.S.A, Germany, Brazil, South Africa and Japan. It sets out to list what good looks like in terms of: processes, skills and enablers; and which companies are doing it well.

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Table of contents

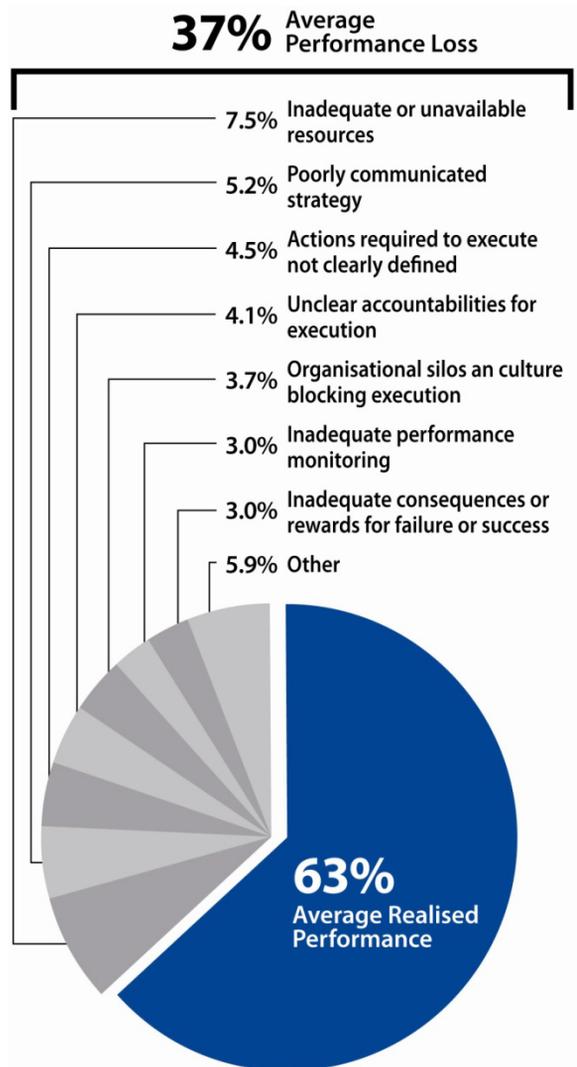
So what exactly is it?	3
And what it is not?	4
What are the key success factors?	4
Process, skills, enablers	6
Who does it well?	7
What happens if you do not embrace category/channel marketing	7
Should category/channel own shopper insight?	7
Next steps for you	7
Benchmarking for Performance	9
Contact Us	10

So what exactly is it?

In our studies of the FMCG True Globals (or the “Top 42” for short) channel/category departments have been set up in the majority of these companies since 2002. These departments have in general been quite badly defined, and they do not have the clarity of, say, a Marketing Department. The majority of them share a mandate to take brand strategy and tactics, and execute at the point of purchase (POP). This POP varies from highly sophisticated category executions in organised customers (grocery and pharma) to simple plannogram and range recommendations for unsophisticated channels.

A minority of the departments have also got a *strategic* mandate. But we need to be clear about this word *strategy*. We mean the departments have:

- A mandate to think longer term than the next six or twelve months;
- To look at real growth via both competitor share and category growth
- To prioritise and utilise resource (spend, people, time, data/insight) to grow the business over and above existing base growth.
- To get more activation, on strategy, at the POP with better use of investment. (The following diagram shows how little gets done each year without this mandate)



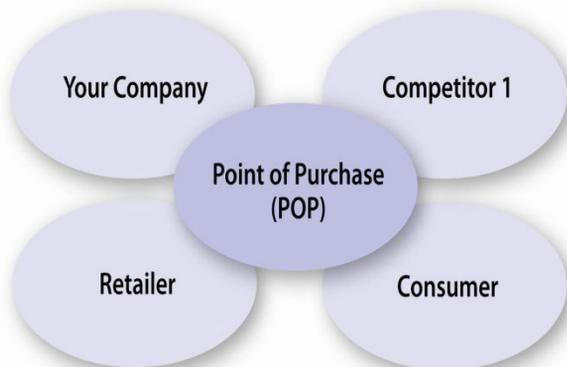
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It is worth restating that the minority of these functions are being deployed strategically: to grow the category, and spend more cost effectively. The majority are still co-ordinating and doing lots of analysis often without delivering insight.

And what is it not?

Category/Channel Marketing is now more than just a department in the best of the Top 42. The old Trade Marketing Department with a new name, is also not much in evidence. However, there is a band of companies within the Top 42 where the new departments have not grown beyond their initial mandate. Many of these have got bogged down with template driven processes or high-end processes or solutions introduced by imported category-management/off the shelf approaches.

As a central-function, situated between Marketing and Sales Departments it is key. And it faces outwards towards retailers as this figure suggests:



What are the key success factors?

Successful Top 42 firms demonstrate success in three main factors: processes, skill set and enablers.

Processes:

- Ensure a strategic approach and focus;
- Make brand and portfolio strategy executed on time;
- Improve Marketing and Sales Force dialogue, without high numbers of meetings.

Skill sets:

- Commercial, strategic and lateral thinking to outwit competitors at the Point of Purchase.
- Pragmatic; to foresee and plan for the unexpected

Enablers:

- Senior stakeholders giving the function a clear mandate and remit;
- Marketing Directors seeing their budgets as more fluid, and being prepared to allocate funds to support ranging, merchandising and value-adding promotions (not price);
- Skilled senior people with stretch, heading up the departments.

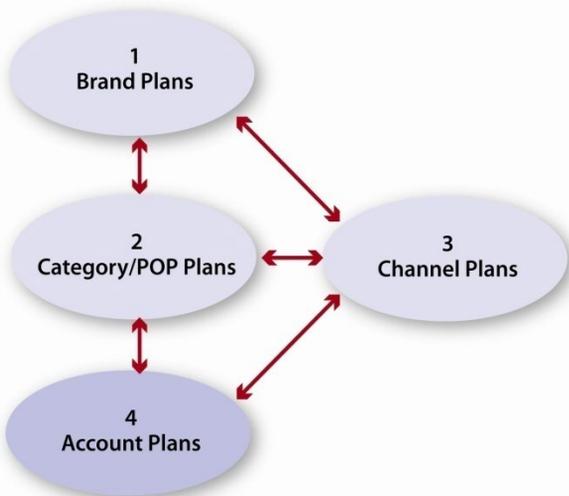
Here's a quote from one company that had addressed all three of these factors:

"I don't care where we spend the \$500,000 if it gets my brand better availability and visibility"

- Group Marketing Manager.

Key success factors (continued)

These three factors ensure the channel/category functions steps up and integrates as this example of a best practice process-flow – note the two way information flow:



Processes, skills, enablers

Processes

These fall into three areas. Processes that relate to how the new channel/category team interact with customers. Processes to drive how it interacts with colleagues. Processes to direct how it takes into account data and how it factors-in research, to derive insight.

By having processes the Top 42 enjoy: better quality plans, more time to develop, execute them and review. And more activation done on time, better use of funds, proper investment decision making, and better customer care

Specific processes

We have observed seven processes in the Top 42. The maturity of these processes, and the extent which they are used defines best practice within this elite group.

Principle Processes	Subordinate Processes
Prioritisation of money, time people, research, materials	Customer engagement during and after planning
Brand planning: transparent and links to category and state/field planning	Integration of POP mix with brand continuum (see diagram)
Category planning links backwards and forwards to channel/field plans	90 day reviews/KPIs/RASCI
	Channel/regional/field plans executive integrate backwards with category and brand

Processes, skills, enablers (continued)

Three types of skill

There are three types of skill needed for the channel/category manager: commercial, strategic, pragmatic.

Commercial skills sets need no explanation. *Strategic* and *pragmatic* possibly do - few competency models have yet gone to any great depth in this, and academic research is still somewhat behind. Strategic thinking skills are evidenced by middle managers being able to:

- Predict, especially around competitor response to activities;
- Analyse and develop insight from (shopper) research;
- Think critically about what numbers, events (again retail and competitor activity events) and market conditions *mean* to their activity ;
- Use these thinking styles to plan pricing, ranging, merchandising and promotional spend/activity i.e. the POP mix.

Strategic thinkers are also emotionally intelligent enough to influence stakeholders to change the way the business works. They can approach their peers in Marketing and get them to see the benefit of engaging with the channel/category team earlier and more openly. They can sell the idea that brands are truly activated at the point of purchase – not just put on the shelf until the next advertising campaign (hopefully) works.

Pragmatic skills, or what Edward de Bono calls black hat thinking. The black hat thinker has the ability and motivation to develop contingency plans, test ideas first, anticipate competitor response with counter-response.

Of the Top 42, only three companies invest in proprietary programs to up-skill middle managers, in these areas. Hence, this remains an opportunity and source of competitive advantage.

Enablers

Once senior stakeholders have modified their Sales and Marketing structures... the real work begins. A new department does not automatically result in a core competency, we have observed. So Vision, Mission, Values work must follow for the channel/category function and the outcome must complement the Vision/Mission of the Marketing and Sales Departments. And then it must drive the channel/category plans.

Investment priorities are brands... and... sub-channels/customers... AND, shopper or usage occasions. Budgets must be allocated to support all three!!!

Skilled senior people in the new channel/category team are a given. If the role is seen as developmental then the manager may need up-skilling in: change management and brand category/channel/regional planning.

Who does it well?

The genesis of category/channel marketing departments came out of the category management movement which in turn developed from the ECR movement. So the suppliers who excel tend to supply to grocery/pharma. However to be best in class at category/channel marketing the top few suppliers are generally also in the disorganised channels. Activating a brand in a small corner store is just as challenging as finding its right space, in the right place, on the right shelf, with the right merchandising and promotional plan in Walmart. So the small space marketers in multi-channels are in the lead.

What happens with category/channel marketing functions?

The declining of effectiveness of traditional Above The Line is well documented. Over-reliance on this technique needs no further comment.

Significant funds now spent at the POP on trading terms, and promotional funds is still sub optimal even in the Top 42 companies. Given retailer leverage, and their skill at negotiating trade funds, suppliers will continue with hit and miss spend and POP tactics for category growth or activation. Where there are no skilled, process-driven strong, enabled category/channel marketing teams, this problem was particularly noted.

Should category/channel own shopper insight?

Shopper research has commanded significant chunks of FMCG's budgets for the past five years. Much of the research has not resulted in growth and very little of it has built upon or leveraged the previous five to ten years of *consumer* research. The relative lack of experience in customer/channel marketing teams means that the insight is often bought without full engagement of the Research Manager or Insights Director (where one is available).

Insight is not always gained. Therefore is not always translating into how point of purchase activity is developed, and how the budgets are spent. Integration of ranging, merchandising and promotional activity with the brand continuum: awareness → trial → repeat → weight of purchase → referral, is not there yet.

Next steps for your firm?

We suggest to our clients that they focus on the process of getting clear, strategic, quality brand plans early. Then, hold the channel/category marketers to be more accountable on how they spend their funds to activate those brand, via channel and category plans.

Some processes to introduce: evaluation tools, modeling tools, integrated brand-category-channel- customer planning tools.
Skills to train: commercial, strategic, pragmatic.

Skills: a well thought through competency blue-print for key channel/category people will provide a foundation.

Enablers: the high performing in the Top 42 run Vision/Mission sessions for their channel/category teams... early on in their life cycle. These must be cross functional.



Benchmarking for Performance

Founded in 2000, B4P delivers processes and metrics benchmarking, design and support to the live-global FMCG community.

It benchmarks top FMCG firms in the 14 focus areas, 132 processes and 52 metrics that drive performance in the global consumer goods industry.

Members use B4P's studies and support to improve, prioritise and as a key input, their strategies.

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