WHITE PAPER

How to down-size from local marketing teams in several small markets to one central team, with no loss of effectiveness in the team

A Fast Moving Consumer Goods (FMCG) white paper

August 2012

www.bforp.com

B4P
Benchmarking for Performance

Contents

Executive summary

The participating company in this project had a number of Marketers and operations in the South Pacific/Oceania area: Australia, New Zealand, Fiji, Papua New Guinea, Vanuatu, and Solomon Islands. The company needed to downsize quickly and hoped to leverage its centralised Marketing team.

The background to this company's initiative was a global cost reduction strategy, primarily looking for headcount efficiencies in smaller countries working in a loose Area model. There was some urgency to the solutions.

There was an aspiration that by having Brand Managers only in the big Oceania market, Australia, it would add value and increase the effectiveness of the Marketing function.

The strategies used to achieve this were: removal of Brand/Research roles in all small markets, change in job description of Australian Area Brand Managers, redesign of senior managers' KPIs, and redesign of the remuneration and benefit incentive package to motivate senior managers to work effectively together across the Oceania area.

This white paper is equally applicable to the following clusters of consumer markets:

- South Eastern Europe/The Balkans
- Caribbean/Central America
- Smaller South American countries, e.g. Venezuela, Colombia
- Smaller African/Middle Eastern countries excluding South Africa
- Scandinavia
- Benelux
- Oceania (this study)
- The 'Stans; Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan.

Introduction

The clusters of markets around the world* can often, when effectively managed, deliver more volume than a mid to large sized market. They can also be more profitable due to a lack of large consolidated retailers or organised competitors. They are generally seen as problematic but attractive to major FMCG suppliers.

Their attractiveness is often derived from their:

1. Cumulative size.
2. Higher levels of average profitability.
3. Lower levels of competitive intensity.
4. Differing levels of consumer affluence, and opportunities to "cherry pick" consumers relevant to the company's portfolio.

However, the differences in these four attractiveness indicators also mean that the regional "hub" company often struggles to manage them, as its domestic business ways of working, investment models, and skill levels do not cope well with the different types and levels of attractiveness. No tools exist yet in FMCG for effective and efficient area marketing management. This white paper will outline existing solutions, and recommend a particular approach.

***Figure 1**: Markets managed as clusters

A number of typical problems have been identified in companies that manage end-markets using one central Marketing Department. These are illustrated in Figure 2.

Figure 2: What goes wrong?

Symptom	Consequence
Longer lead time for all initiatives	Slower speed to market; lowered rate of innovation
Quality issues and increased amount of rework on new products, communications	Lowered customer dissatisfaction, lowered quality of output, duplication of resource
A blame culture emerges between the hub and the end markets	Reduced willingness to work as an area
Inappropriate marketing strategy developed by hub for end markets	Falling market share in all but the principal market

Problem definition

A group of markets attempts to go a hub way of working with one country that is larger than the others supplying all Marketing expertise. This is sometimes called an "Area Model". If due process is not followed, a number of problems may be encountered by the organisation's stakeholders…

1. Timeframes, executional resource and effort may differ between end-markets. Deadlines and resources may not be adjusted to factor this in.

   For example:

   ▪ An activity that may be relatively complicated in an Area model, because of the remoteness of suppliers working from the principal country, may be given the same lead time as if that supplier (e.g. packaging) was actually in the end-market.

2. Frustration can develop because there is an absence of one set of visible priorities, and process to arrive at those priorities, which all stakeholders understand. This leads to some end-market's priorities being insufficiently resourced or ignored, and the centralised team becoming overloaded.

3. Overall, the one prioritisation criteria that is consistently used is size, so the bigger market tended to get the lion's share of resource, but it also tended to get the lion's share of decision rights.

   For example:

   ▪ An activity that delivers against a strategic priority for a local market (and the Area) may be deprioritised in favour of another activity in another market, even though it does not.

4. Duplication of effort and work because processes, if not redesigned for an Area model, will have to run parallel in the big market and the end-markets instead of one company owning the process on behalf of the other market.

5. Lack of insight, as to how the new Area model is working, results from lack of measurement of how efficient the organisation is in the new structure.

   For example:

   ▪ In a badly designed Area model there are many more sign-offs and handoffs, so once quantified those are often reduced or eliminated by stakeholders.

6. Stakeholders in all markets can feel frustrated because of a lack of visibility and transparency in the absence of one multiple project measurement view that encompasses all of the Area's projects. Senior stakeholders can't make decisions on contingency planning, investment levelling/ increasing/reduction because they do not know what is happening where.

7. Groups of managers across the Area may not be encouraged to meet very often as travel budget freezes may accompany headcount reductions. This can result in a lack of understanding and cultural empathy between the companies, their customers and their consumers.

   Strategic planning *for* the end-market *by* the hub market, therefore under-delivers. Recurring prioritisation and investment problems continue.

The foregoing problems also assumes no unforeseen events by legislators, retailers and competitors. Once those are factored into an Area model, a whole new set of priorities can be overlaid on the already existing ambiguity, and confusion around what should be done, when, and using what resources.

Existing solutions

To move quickly to an Area model, a number of solutions are usually considered and used.

Restructure

Pros	Cons
▪ Low-cost solution ▪ Immediate bottom line benefit	▪ Assumes existing way of working (processes) will work with less resource – Creates cultural resistance as the end-markets perceive less resource is the problem

Cultural change via top team in end markets

Pros	Cons
▪ Low-cost ▪ Devolved responsibility for the new model to the end-market	▪ The realities of the new structure are readily apparent to the 2IC managers in the end-market ▪ Absence of gain-sharing benefit to the end-market – they do not see any benefit from the new cultural change

Job description, incentives and KPIs changed for senior managers

Pros	Cons
▪ Works well at the senior level right away ▪ Raises awareness and motivation	▪ Not addressing the need for new ways of working ▪ Not addressing the lack of WIFM* for the 2IC managers

Process and training driven approach with common prioritisation – the optimum approach

Pros	Cons
▪ Redesigns processes to allow end-markets more time with less resource ▪ Up-skills the Brand Managers in multiple market/ project management ▪ Captures all the end-market knowledge (for strategic planning) in one centralised database	▪ Slower, could take up to a year ▪ More cost-effective in the long run but not in Year One ▪ Needs a new type of more experienced strategic Brand Manager ▪ Requires an investment in knowledge management

** What's in it for me? (WIFM)*

Solution details

One attractiveness/ investment model

The attractiveness of each project or end-market opportunity can be planned on an Area/regional one-prioritisation model. This model uses objective, relative or quantifiable factors so that smaller markets are not out-shouted by bigger markets if their opportunity or project is more worthy of investment.

Figure 3 shows an approach in which the five types of investment required (money, time/focus, people, data/ research, plant and equipment) can be levelled against the initiative, depending on how attractive it is versus the required investment level.

Figure 3: Aligning attractiveness with investment levels

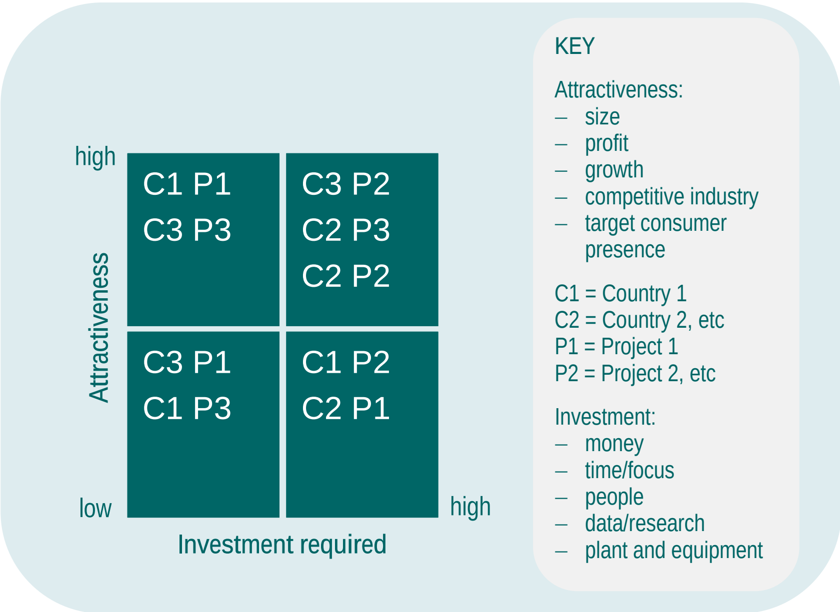
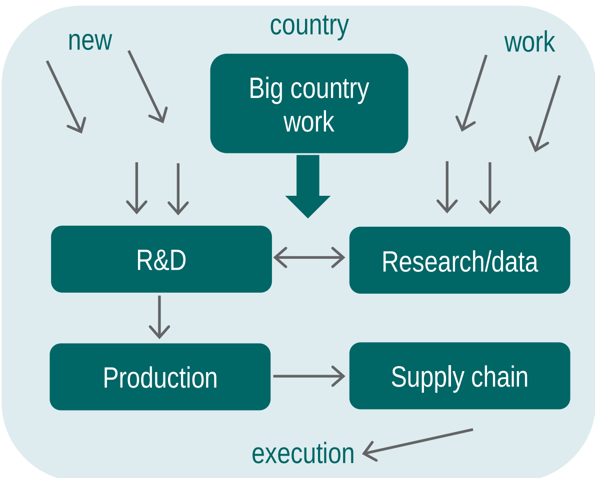


Figure 4: How new work impacts



Process redesign to streamline work

In Figure 4, the processes that allow the flow of work from the hub market through the various functions (i.e. production) and out to customers and consumers is clogged and slowed with the addition of new end-market initiatives and projects.

Therefore the processes for project managing these, signing them off, handoffs, tracking, execution and measurement, also need to be streamlined and redesigned so that there is not double handling, rework or decreased speed in getting work through the organisation.

Measure and monitor new Area model efficiency/effectiveness

In the first 12 to 18 months of its inception, the new Area model can be measured for efficiency across two dimensions: the increased success that all the markets are having, not just one or two. And the reduced waste that is being observed and quantified, by the new leveraged economies of scale. These are illustrated in Figure 5.

Figure 5: Measuring an Area model – before and after reorganisation

Area of measurement	Before/after
Success factors ▪ Number of activities: line extensions, new products, communications campaign achieved by the Area ▪ Standard financial metrics, overall market share gains, profitability increases, volume increases ▪ Retailer engagement in the different markets; increased retailer engagement and satisfaction ▪ Rate of innovation ▪ Culture survey scores ▪ Speed to market	
Waste factors ▪ Number of missed deadlines ▪ Number of rework incidents ▪ Number of projects falling over ▪ Resignations and churn	

Business benefits

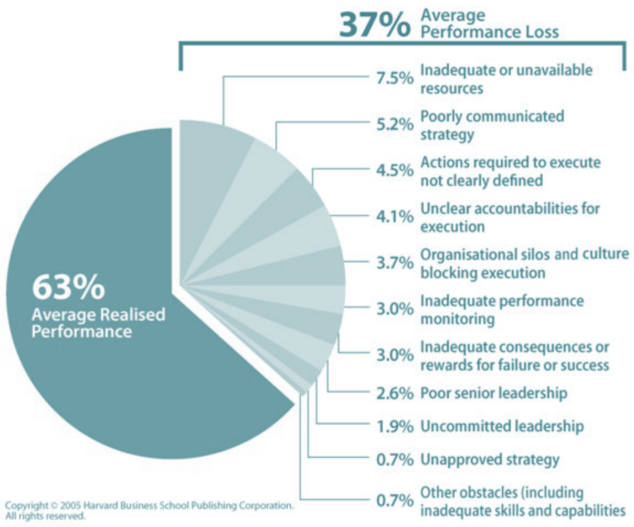
Overall, the benefit of designing a functional Area model that delivered the foregoing successes, would take longer and be more expensive. However, the sustainable commercial outcomes would last longer, and make for a true functional model, rather than just a restructure.

Figure 6 shows the size of a typical gap that would be closed by correct process and training in a designed Area model. The 11 factors which describe performance loss would not be addressed by less process-orientated methods.

The 11 fall into groups:

- Strategy/investment/resourcing
  - Addressed by prioritisation
- Cultural
  - Addressed by training and formal knowledge sharing
- Functional silos
  - Addressed by process redesign.

Figure 6



Other benefits include:

- Cultural acceptance that the *hub* country is in fact, better placed to deliver optimum programs to the end-markets.
- Gain-sharing in that the end-market middle and junior managers would also see the benefits of working with an Area model, both in terms of their career and access to the day-to-day resources and projects with which they have to call on.
- Decreased prices and improved trading terms with core suppliers, as the local smaller suppliers fell away due to their inability to supply across the whole of area.

Summary

The downside of an ineffective Area model, and the reasons why it is both important and financially justifiable to do it properly, can be summed up by these actual quotes from both big and end-market roles.

"Sorry I didn't turn up (at the end market's planning day) there was a 'business critical' issue."

Area BM

"I ask for this, this, and this, and yet it's never complete."

Area BM

"I generally start work at about three o'clock, once I've got rid of all the ad-hoc stuff."

Area MR role

"He never picks up his phone."

Area BM referring to end-market stakeholder who signs off on projects

"It took ages to get sign-off on just a trade flyer, then somebody wanted to add a full-stop, so we had to back and repeat the whole loop."

end-market Head of Sales

"Despite experts being involved, the decision was changed at the last minute in the end market."

Area BM

"And that added 10 steps and several weeks' work, as we didn't see it coming."

end-market Head of Sales

"The market calls me to find out who to speak to here in head office… I'm sort of a communications go-between."

Area MR role

Opportunities can be fully realised across all of the end-markets, and share maintained and increased evenly across highly attractive markets and their consumer segments. This is how to avoid making sure the big markets thrive, while volume leaks out of the smaller markets, ending up with a neutral result.

To achieve the real benefits, senior area stakeholders may need to buy time from their global parent to put an Area model in place properly.

Contact us

Contact us for either a presentation or video-conference on exactly how to go about introducing these processes and up-skilling into your Area model.

PHONE	+61 2 8005 0753	Facebook	Benchmarking for Performance
FACSIMILE	+61 2 9293 2930	Twitter	@bforp
EMAIL	info@bforp.com	LinkedIn	Benchmarking for Performance
WEBSITE	www.bforp.com		
WEBEX	bforp		