WHITE PAPER

Best practice in global FMCG* Sales and Marketing functions – key process required to deliver profitable share growth

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**Fast Moving Consumer Goods*

www.bforp.com

B4P
Benchmarking for Performance

Contents

Introduction

The following process focus areas (PFAs) have been observed, evaluated, measured and document in several of the world's top 42 FMCG companies, during 2009 to 2012.

Each of the PFAs has 8 to 12 sub-processes, and together they form a blueprint to show improving companies what they need to do to become best practice. They are linear. If PFA 1 works well, and at least some of its sub-processes are in place, the following 11 are more likely to work.

Why benchmark?

However strong a company is, there will be some areas in which it is more efficient and effective than others. No matter how good the product or the people, a company needs processes to ensure the Sales and Marketing teams can work together to produce a result.

The purpose of benchmarking is to help a company optimise its processes in order to achieve maximum efficiency and effectiveness, by comparing the company's processes to *best practice* in the FMCG environment.

What is best practice?

It is a measurement of the broken down operating processes of many of the world's top 42 FMCG companies, derived from studies conducted from 2006 to 2012 by B4P. These companies' Sales and Marketing functions have been observed, evaluated, measured and documented in order to provide a standard against which a client's own operating process can be compared in order to evaluate strengths or weaknesses.

Once benchmarked, appropriate actions can be taken to improve processes where a company lags behind best practice, or to capitalise on areas in which it already exceeds the benchmarks and metrics.

What does B4P do?

This white paper describes in some detail the areas of process that B4P has identified and benchmarked as the major PFAs, with the relevant sub-processes to each PFA.

Through an analysis of a client company's performance in each of the PFAs, and a comparison to the benchmarks B4P has identified, B4P helps a company identify areas of improvement, and what new or improved processes may be needed to reach best practice standards.

Besides helping to sell the need for new process to all internal stakeholders, B4P tailors the needed process tools, templates, checklists and metrics to individual companies, and links the new way of working to agreed measurable deliverables – top and/or bottom line.

B4P also provides updates on all new developments in best practice for its FMCG clients and industry.

What *good* looks like

No one company has achieved excellence in all 12 PFAs.

FMCG companies tend to have strengths (and weaknesses) based on the category and channel in which they need distinctive competencies. For example, a soft-drinks company will be better at distribution, channel development and impulse brand activation, than a shelf staple canned-goods supplier. Likewise, fresh-food or sale-or-return companies tend to have above average processes to engage and satisfy retail customers.

> "We would have achieved all this eventually, but it would have taken us several years…"
>
> ***VP Sales, South Africa***

The benefit of benchmarking is that one company with a traditional area of strength can look at companies with different strengths and learn from them...and vice versa. There is sometimes an expectation, pre-benchmarking, amongst certain managers, that they already are *best practice*. Given that FMCG is a truly global business and that excellence varies by category and channel expertise, this expectation can be challenged.

12 PFAs

There are in fact 13 processes observed and documented. However, the 13th – Knowledge management – is described as an "enabler" as it is not yet observed to be a robust process in many FMCG companies.

PFAs of successful global FMCG companies

How to review these PFAs

Clients can start improvement projects in any of the PFAs, but are advised as follows:

- If previous PFAs are missing or under-developed (see *'The evolution of process*' on page 6), then performance improvement is less likely.

Example:

- You have a great S&OP process to execute activities and "do the numbers". But PFA 1 and, in particular prioritisation process (1.4) in the Marketing Department, provides too many priorities. So your S&OP process cannot work as designed.

- If a strong *functional silo* culture or way of working is in place, then it is advisable to address both Sales and Marketing PFAs.
- Clients are advised to start their performance improvement project using a measurable outcome (see sample metrics on pages x to x).

"There's always a better way"

Marketing Director, Australia

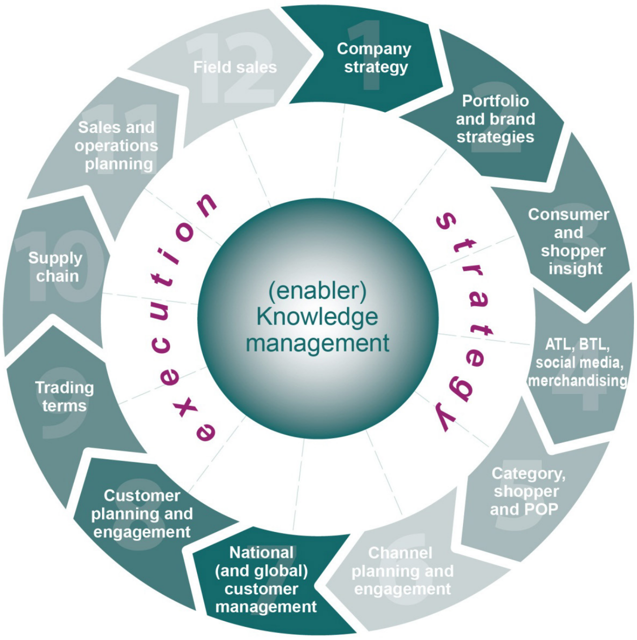
"We now see that culture is not the main solution to the Sales versus Marketing silo challenge. It's process."

GM, Sales and Marketing, Johannesburg

Figure 1:
PFAs of successful FMCG firms

PFA 1	Company strategy … integrates with Sales and Marketing strategy
PFA 2	Portfolio and brand strategies … build on company strategy, drive major customer/channel/ field activity
PFA 3	Consumer and shopper insight … supports strategy development, delivers tracking and new learnings
PFA 4	ATL, BTL, social media, merchandising … reinforce and deliver marketing strategy
PFA 5	Category, shopper and POP … activate on strategy
PFA 6	Channel planning and engagement … integrate regionally and align with business unit plans
PFA 7	National (and global) customer management … defends and enhances terms
PFA 8	Customer planning and engagement (via Account planning) … enables success
PFA 9	Trading terms … support strategic direction and drive the right outcomes
PFA 10	Supply chain … delivers customer satisfaction via DIFOTAO
PFA 11	Sales and operations planning … delivers correct focus
PFA 12	Field sales … efficiency and effectiveness executes in full on time, on-brand
PFA 13	Enabling process; knowledge management saves time and builds competencies

Figure 2: How the PFAs flow



The evolution of process

Very, very few benchmarking study participants score a zero or a low score and are observed to be doing absolutely nothing to improve their performance.

> "I knew we were bad, but I didn't know why"
>
> ***Category Development Manager, Bangkok***

Generally, a company will be, at some point, on a three-part scale:

Under-developed processes;
Developing; or
Mature/excellent.

Of the 80 companies that have participated in these studies, they have all been somewhere on that three-stage continuum.

The financial metrics from *developing* or *excellent* companies

These are numerous and cluster under ***effectiveness*** or ***efficiency*** measures. For example:

- Speed-to-market, rate of innovation (*effectiveness*) AND
- Headcount, ROI, call frequency (*efficiency*)

Confidentiality

It is possible to gather data, map processes and present findings back in a *blind* or *confidential* way. For example, companies are shown their own data points versus averages and this sufficiently allows them to understand where their company is.

Other companies in the same study are shown the same averages but with their specific data, so in high-integrity benchmarking projects, clients get to see their own metrics and data, versus an average. Generally, this is sufficient for a *call to action* or an insight, and subsequent performance improvement. Internal confidential company information/data, hints, or allusions are never given (either in writing or verbally) in professional benchmarking.

Hindsight bias

A common prejudice and reaction to any form of research, study, or survey is: *"we won't learn anything new"* or *"we already knew that".* Hindsight bias is a phenomenon that can be observed and challenged. However, it is true that processes are, to a certain extent, common sense.

The insights that arise from benchmarking are not about so much telling a company where it is now, but about demonstrating what *good looks like*, how far away they are from *good* and how important it is for them to improve in specific areas. Significantly, what they need to do to improve is not something managers *"already know".* If it was – they would have fixed the problem. If internal teams are trusted to fix problems, which they have partly created, they are unlikely to succeed.

> "Our relative strengths in 'insight' surprise me – I didn't know we were this good"
>
> ***Head of Strategy Planning and Insights, Jakarta***

Talent

Benchmarking looks at processes and people. Human resource consulting answers questions and conducts specific evaluations on people, but process benchmarking firms help by showing how talent and teams flourish. This is because talent cannot thrive in companies that have processes that are *under-developed*. Churn, or people leaving because it's *"just too hard"* to thrive and flourish in low process companies, is prevalent.

So, while a benchmarking study or consultant will not answer the question: *"Are my people any good?"*, they will suggest how it can optimise talent and teams. Process pulls down the walls of *functional silos* because process, when correctly implemented, enables and compels people to work together, irrespective of their structure or role.

> "Are my people any good?"
>
> ***VP Sales, Australia***

Processes as strategy and a strategic input

Performance improvement through processes is strategic. It enables the company to better compete both directly and indirectly.

In FMCG, particularly for those companies that are focused on either grocery or smaller independent retailers/outlets, all companies are competitors. Soft-drink suppliers compete with confectionery, salty snacks, cigarettes and lotteries, to monopolise both promotional slots in organised chains and consumer touch points in small crowded shops.

Efficient versus effective

The PFAs and their sub-processes deliver both efficiency and effectiveness.

Example:

- You achieve 13 calls per day on small stores. Yet brand trial in this channel remains flat. The call frequency and rep-productivity processes are good. But the category development processes have failed.

It is therefore important to have all 12-13 PFAs at either *developing* or *mature* to avoid an efficient but ineffective organisation. Or to avoid being a chaotic firm that occasionally has big success, that it struggles to repeat and at huge human cost.

The process focus areas

PFA 1: Company strategy integrates with Sales and Marketing strategy

1.1 Vision, mission, value (VMV) timeframe allows for strategies to be developed and executed.

1.2 VMV integration with year-on-year strategies, goals and objectives.

1.3 Corporate strategic imperatives timing links and prescribes with traditional planning cycle; portfolio/brand, channel/account.

1.4 Strategic priorities translated and executed by functional plans (e.g. brand plans).

1.5 Culture and staff satisfaction surveys are inputs to the VMV process.

1.6 Investment/prioritisation processes use vision and mission as an input or guideline.

1.7 Symbols and signs are maintained and refreshed.

1.8 Tools: conferences regularly communicate the VMV to enhance buy-in, intranet offers 24/7 access.

1.9 Tools: balanced scorecard includes external and internal stakeholder measures.

PFA owner

- Sales and Marketing VP/Director
- General Manager
- Chief Executive Officer

PFA metrics

How is this PFA's effectiveness evaluated?

- Incremental growth (not share steal)
- New users/consumers
- New usage occasions

Symptom

If a PFA is *under-developed:*

- Over-reliance on traditional brands to get growth via promotion
- Serial difficulties in hitting volume and value targets

PFA 2: Portfolio and brand strategies build on company strategy and drive major customer and channel/field activity

2.1 Integration with strategy; each plan maps with and executes business imperatives.

2.2 12-18, 24-36 month horizon; according to the focus of the plan.

2.3 Situation audit; hard and soft analysis to answer: *"Where are we now?"*

2.4 Goals and objectives; hard and soft analysis to answer: *"Where do we want to be?"*

2.5 Visibility; plans are shared with Sales and Business Development early and remain visible.

2.6 Integration with channel and customer plans; execution is assured via each plan, making the other happen.

2.7 Action plans; reviewed and linked to personal performance.

2.8 Project management disciplines; used to answer: *"How will we get there?"*

2.9 Account involvement; key customers are involved early in channel/account plans.

2.10 Agency role; agencies involved from portfolio/NPD level onwards.

2.11 People skills; strategic thinking emphasised/focused on as a competence.

2.12 Tools: software system, knowledge management (KM), or just templates in use.

PFA owner

- Marketing Director/VP

PFA metrics

- Ratio of old versus new products
- Ratio of NPD versus line extensions
- Number of new SKUs in new channels

Symptom

- High number of mature brands
- Low number of fast growth brands
- Absence of challenger brands
- Brand planning process/tool identifies few ownable growth opportunities (<10 x per brand)

PFA 3: Consumer and shopper insight supports strategy development and delivers tracking and new learnings to drive competitive advantage monitors

3.1 Integration with strategy is built via the situation audit and strategic planning process.

3.2 Research and insight inputs into NPD, communications, shopper, channel and category.

3.3 Balance of horizons from tracking to future driver consumer trends; identification and scanning of environment.

3.4 Insight drives planning's quantitative and qualitative analysis/situation audit.

3.5 Role of Insights Director used as a source of strategic advantage, perceived as part of a top strategic team.

3.6 Emerging research techniques and measures reviewed on as an as-needs basis.

3.7 Ethnographics in use, e.g. consumer safaris, co-creating focus groups.

3.8 Agency review tools in use, e.g. 360° feedback.

PFA owner

- Head of Research (note this role is often "above market"/regional)
- Head of Strategic Planning

PFA metrics

- Number of projects with measured ROI
- Number of projects that drive incremental growth

Symptom

- High-risk decisions made without research
- In excess of $500K spent on research, but not easily accessed, or can be ignored
- Absence of Brand Manager training in briefing, leveraging and evaluating research

PFA 4: Above-the-line (ATL) and below-the-line (BTL) reinforce and deliver marketing strategy

4.1 Communication activates strategies developed in plans, rather than only sales objectives.

4.2 Awareness, trial, repeat, heavy user, referral objectives in use to drive choice of strategy, objective and goal.

4.3 Development process is transparent, includes briefing (and manager training).

4.4 Integrated marketing communications include agencies, budgets and is driven by plan(s).

4.5 Metrics are evolved to reflect objectives and goals, as well as new ways to evaluate.

4.6 Close-outs and knowledge management ensure that objective is marked off or revisited.

4.7 360° feedback tool in place for agencies.

4.8 ATL/BTL ratio is reviewed with Customer and Category team/managers engaged.

PFA owner

- Marketing Director/VP

PFA metrics

- ROI for each phase of consumer disposition (awareness, trial, re-buy, repertoire, advocates)

Symptom

- Brand planning process lacks formal specific evaluation of each message and medium
- Absence of consumer disposition metrics – only volume and value in use

PFA 5: Category, shopper and point of purchase (POP) plans activate on strategy

5.1 Structure and resourcing is aligned to the strategic plan.

5.2 Brand objectives, guidelines and progress reports are used to prioritise.

5.3 Customer consumer demographics and purchase behaviours and influence points are understood.

5.4 Category definition, strategy and planning is jointly developed with customer and aligned internally.

5.5 POP vision, goals, learnings and successes integrate.

5.6 Shopper research is used to identify opportunities where relevant with brand objectives.

5.7 Central database to integrate and enable effective planning and prioritising.

5.8 Relevant stakeholders collaborate cross-functionally and engage with customers.

5.9 Activities are appraised and graded “A”, “B”, “C” in line with category and brand objectives.

5.10 RASCI is used to clarify roles and accountabilities and reflected in position descriptions* and key performance indicators.

5.11 Tools: field sales cycle plans are aligned to the category plan by customer.

PFA owner

- Category Development Manager/Director

PFA metrics

- Share gain and incremental growth from more product bought more often; more consumers in aisle/section
- Number of research-based recommendations executed

Symptom

- Function/department exists, but has no distinct competencies; does not enable/provide more purchase occasions for improved average weight of purchase (AWOP)
- Function/department exists but does not produce anything
- Lack of incremental growth via POP activation

* *Critical in this department, as is not traditional and is still badly defined*

PFA 6: Channel and customer/ distributor strategic and operating plans (SOP) integrate regionally and align with business unit plans

6.1 Vision, business, portfolio and brand plans are clear, consulted and understood.

6.2 Global, regional and local customer strategies understood and shared internally.

6.3 Channel and distributor profitability measured and appraised.

6.4 Competitor activity consistently monitored, utilised and stored centrally.

6.5 Investment prioritisation tool is utilised as an aid to determine strategy.

6.6 Supplier attractiveness to customer is understood and progress is monitored.

6.7 Customer strategies are understood and integrated into business unit plan development.

6.8 Tools: consistent process, templates and knowledge sharing across the region and globally.

6.9 Tools: timetable is used to set and review for 12-36 month framework.

6.10 Tools: communication plan in place for ongoing stakeholder engagement.

6.11 Tools: matrix KPIs reflect relevant functional responsibilities and participation.

PFA owner

- Channel Director (e.g. Grocery, Away From Home, Independents – *three roles*)

PFA metrics

- Incremental growth
- New users
- New brand – consumer touch points
- Organised versus non-organised volume/value ratio

Symptom

- >60% share in one channel
- Reliance on <10 customers
- Absence of direct supplier dialogue with consumer; retailer prevents or offers expensive opportunities

PFA 7: Global and national customer management defends and enhances terms

7.1 Customer's global, regional and local strategies and KPIs are understood and shared internally.

7.2 Customer files are globally consistent working documents and available on central database.

7.3 Global customer strategies are integrated in business unit strategic planning.

7.4 Customer joint business plans (JBPs) are in place and shared with relevant team.

7.5 Multi-functional KPIs aligned to customer JBPs where relevant.

7.6 RASCI is used to clarify roles and accountabilities and reflected in PDs and KPIs.

7.7 Communication and authority protocols are agreed and adhered to for all relevant stakeholders.

7.8 Structure and resourcing supports and enables delivery of the customer strategic plan.

7.9 Trading terms are standardised and transparent.

7.10 Tools: multi-tiered engagement plan is agreed and monitored for 12 months.

7.11 Tools: contact reports used to confirm and record all agreements with customers.

PFA owner

- Regional/Global Customer Managers (above market)

PFA metrics

- Number of customer-specific products, packs or promotions
- Core range stocked in all regions/store types
- Activity levels (bang for buck) consistent across all regions

Symptom

- Parallel importing possible by retailer
- Risk of M&A by customers revealing different terms
- Trading terms unaligned

PFA 8: Customer engagement capability enables success (Account planning)

8.1 Team quality, skills and behaviour attributes are relevant and aligned to customer.

8.2 Category and supplier attractiveness and profitability to customer is monitored and appraised.

8.3 Customer strategies and KPIs are understood and performance improvement plans in place.

8.4 Customers are engaged early with NPD and strategic plan development.

8.5 Range reviews and other major events available internally on shared calendar.

8.6 Promotion plans are aligned with customer strategic plans and pre and post evaluated.

8.7 Multi-functional KPIs aligned to customer JBPs where relevant.

8.8 Structure and resourcing supports and enables delivery of the customer strategic plan.

8.9 Tools: multi-tiered engagement plan is agreed and monitored for 12 months.

8.10 Authority limits, team empowerment and communication protocols are consistently understood.

8.11 Tools: contact reports used to confirm and record all agreements with customers.

PFA owner

- Customer Manager Head, e.g. Head of Channel or SO
- National Account Managers

PFA metrics

- Customer profitability
- Number of brand activities executed in full, early in cycle/period
- High number of new products accepted and successful
- Satisfaction and engagement scores

Symptom

- High number of reactive top-to-top meetings
- Non-aligned businesses
- Promotional spend not activating brands
- Promotion design not creating trial

PFA 9: Trading terms support strategic direction and drive the right outcomes

9.1 Activity-based costing, brand margin and cost to serve drivers are known and measured.

9.2 Promotion terms are activity-based, enable scan data access and help differentiate retailers.

9.3 Promotion terms and activities support the brand plans and business objectives.

9.4 Pre and post modelling and goals are conducted for all promotional activity.

9.5 Structured pricing and deals are based on brand goals and internal margin.

9.6 Promotion clashing calendars are utilised and actioned.

9.7 Customer KPIs are understood and considered when building promotion plans.

9.8 Promotion activity integrates into the sales forecast.

9.9 Knowledge and learnings are shared across the region.

9.10 Protocols and authority limits are agreed and utilised.

PFA owner

- Financial/Sales Director
- Trade Financial Controller

PFA metrics

- Volume, value and profit
- Brand activation via promotion (awareness, trade, re-buy, repertoire, AWOP)
- Number of over and aboves

Symptom

- Promotions only manage to switch share
- Ceilings not monitored
- Main dialogue is about margins – not growth

PFA 10: Supply chain delivers customer satisfaction

10.1 The formal process plan, outcomes, goals and responsibilities are understood by stakeholders.

10.2 Format timetable for process and input is shared and understood.

10.3 All SKUs are graded for in-stock priority.

10.4 Plant service levels are measured and appraised.

10.5 Inventory cover objectives are based on SKU priority and volatility.

10.6 KPIs reflect stakeholder ownership.

10.7 Forecast accuracy is measured and appraised.

10.8 Case fill, order fill and DIFOTA is measured by customer and appraised.

10.9 A scorecard of success is used to enable focus on the core issues.

10.10 Proactive customer communication of issues.

10.11 Terms planned to execute customer strategy.

PFA owner

- Supply Chain Director

PFA metrics

- DIFOTAO
- Inventory pipeline
- Forecast accuracy

Symptom

- Customer satisfaction and *hygiene factors* too problematic to enable strategy conversations
- Numerous roles contributing to forecasts – all care and no responsibility

PFA 11: Sales and operations planning (SOP) deliver customer satisfaction

11.1 Stakeholders strategy-to-cycle plans integration is driven by one prioritisation process and manager.

11.2 Priorities reviewed quarterly at strategic level and prior to each cycle plan.

11.3 Stakeholders are engaged with Field Manager as the process owner, mentor and coach.

11.4 Cycle plan activities are graded with results recorded, appraised and shared.

11.5 POP vision is supported by cycle plan activities and progress is recorded and shared.

11.6 Job descriptions and KPIs reflect stakeholder responsibilities.

11.7 In-store call procedure and journey plans are adhered to as enablers for efficiency.

11.8 The team is equipped with relevant tools, data and insights.

11.9 Coaching plan in place and supports formal induction, training and career development.

11.10 Process exists to update and appraise the outlet universe.

11.11 Customer relationship management (CRM) systems address all five: sales, customer service, targeting, planning, prioritisation.

PFA owner

- Field Sales Director/VP
- Cycle Plan Manager

PFA metrics

- Percentage of activities done in-store, in full, in first half of cycle
- Call duration, call frequency, number of A, B, C, D stores called on per head
- Headcount – cost
- Number of management levels

Symptom

- Emperor’s new clothes
- No one stakeholder believes the program is achievable
- Lack of clarity on how priorities will be 100% executed, or unsophisticated prioritisation (e.g. gold, silver, bronze)

PFA 12: Field sales effectiveness

12.1 Strategy-to-cycle plans integration driven by one prioritisation process and manager.

12.2 Priorities reviewed quarterly at strategic level and at each cycle plan; roll-over possible.

12.3 Area Manager (AM) role is process owner, mentor, coach.

12.4 Coaching plan in place supports formal/induction training.

12.5 Career development ladder reduced churn and delivers grass-roots up-skilling.

12.6 Succession management at Team Manager level and at AM level driven by objective territory appraisal.

12.7 CRM systems address sales achieved, objectives achieved, customer satisfaction levels, targeting, planning and prioritisation.

12.8 Tools: steps of the call.

12.9 Tools: CRM system or SFA package in place or under consideration.

12.10 Tools: outlet classification grids within databased outlets.

PFA owner

- Field Sales Manager/Director
- Area Manager

PFA metrics

- Customer satisfaction
- Customer engagement
- Number of SKUs taken above core range
- Number of “over and aboves” achieved
- Activation of trial objectives

Symptom

- All store calls use the same frequency, activity, call duration
- Stores treated as distributors – not communication/touch points
- Sales force automation absent; or in use but not leveraged by Category Development people

PFA 13: Enabler; knowledge (KM) saves time and builds competencies

(there are no documented Owner, Metrics, or Symptoms for KM as yet – as research into this area is still using a small sample size)

13.1 Executional excellence linked to knowledge management.

13.2 Tools: common system to plan, execute, evaluate, plan.

13.3 Tools: insight/information capture in real time or via actual paper-based system.

13.4 Tools: all plans online or in actual paper-based system.

13.5 Lessons learned used to develop next year's strategies.

13.6 Competitor intelligence used as an input and as a form of research.

13.7 Software enabling both thinking, sharing, knowledge management and execution.

Summary

All FMCG companies write a plan each year. The many inputs to this plan determine how the company's five types of resource* will be used to grow the business, engage customers, satisfy consumers, and make money.

Yet very few companies benchmark themselves to get external, relative benchmarks on their ways of working with their five resources.

Quantitative benchmarks (metrics) can tell a company how good, or bad, their results really are.

Qualitative benchmarks demonstrate how companies need to work differently to achieve more – often with the same or less budget than before.

** money, people, time/focus, data/research, materials*

Contact us

For further information or to arrange for B4P to study your company or industry, please contact us.

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With grateful thanks…

A sample of our participating companies: