



SERVING UP



RESULTS



## ***Winning with ROI Culture***

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# Culture . . .

**c : the set of shared attitudes, values, goals, and practices that characterizes an institution or organization <a corporate *culture* focused on the bottom line>**

**Source: Webster Dictionary**

# Effective Culture . . . .

## *Aligns . . . .*

- Attitudes
- Values
- Goals
- Practices

## *Lack of Alignment . .*



# The ROI Culture at Hormel

- **Vision and Strategy**
- **Innovation**
- **Focus**
- **Bars Off Honesty**
- **Alignment**





# Our Mission

***Building upon our heritage of innovation and quality, together we will elevate the everyday experience by making Hormel Foods the favorite part of any eating experience***

- ***5% Top Line***
- ***10% Bottom Line***



# StarTribune

## money+business

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## Appetite for innovation



Photos by ©2010 Hormel - photo by Mike Hagan

Jeffrey Stinger, CEO since 2002, showed off a wide array of Hormel's branded consumer offerings, including Country Cook Mac and Cheese and CSI-Chi's Salads.

By MIKE HAHAN/STT • [mhagan@startribune.com](mailto:mhagan@startribune.com)

AGRICULTURE

**H**ormel Foods has been turning big meat into pepperoni ever since the early 1900s, back when the company was run by its namesake, George A. Hormel. Today, Hormel is by far the country's largest retail pepperoni producer. Big deal, you say. King of an obscure meat category — what do you do with pepperoni and

Once a mighty meat packer, **Hormel** is seeing sales soar with new consumer products.

The result: Hormel's pepperoni sales grew 22 percent over the past year. Hormel's "creative marketing" has helped it

This value-added process goes a long way in explaining why Hormel's sales and profits have grown handily in recent years, and why its stock has been a winner. "Innovation and adding value [to commodity assets] — I think really that's the whole to success," said Eric Larson, a stock analyst for J.P. Securities. "That's the Hormel story." Hormel shares have posted a 49 percent gain for the five years ending Sept. 30, top-





## Project Spammy™

- Shelf-stable, fortified turkey spread
  - Prevents malnutrition in young children
- 2008: 45,000 cans
  - Partner with Food For The Poor & Caritas Internationalis
- 2012: **2.5 million** cans
  - 101 Guatemalan communities
  - 8,000 families (30,000 children)



Initial results have been positive- the children have more energy and their school grades have improved!



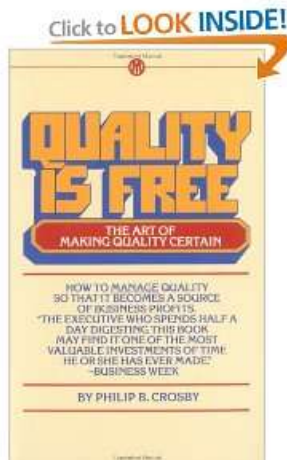
*On Our Way*  

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**to Ending Hunger**



# Innovation: Process Improvement



- Continuous Improvement Process
- Cost reduction engine
- Foundation

# 6σ

- Trade Promotion Evaluation
- Sales workload model
- Settlement
- Broker management
- Pricing
- Planning Process

# Innovation: Predictive Analytics

Operational Efficiency 

Effective and Efficient Spend



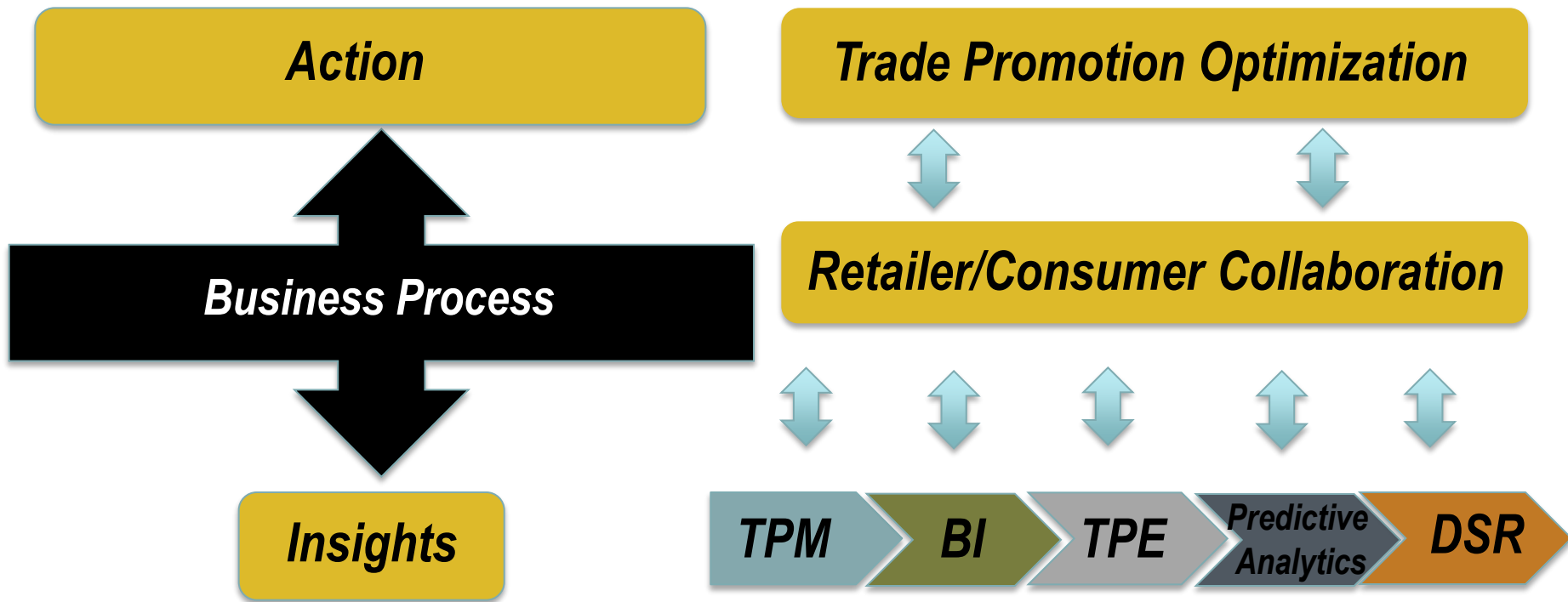
**SIEBEL**

- *Event Planning*
- *Reporting*
- *Payments*

 **Demantra**

- *Common Planning Platform*
- *Forecast*
- *Scenario Planning*

# Today: Focused On Facilitating Collaboration



- Business process: “Area 51” of TPO
- Elements must build on each other
- Each element fosters collaboration

“Future is now, it’s just not evenly distributed”

– William Gibson, *The Economist*, December, 2003

# Focus: Consumer Product Sales

**Goal:** To be a best in class selling organization

**Operating Priorities:** To be the most trusted partner in those categories which we choose to compete with superiority versus the competition in the areas of :

- ***Customer relationships***
- ***People development***
- ***Trade promotion process***



# Focus: Strategy

“Trade promotion is the combination of price, product placement, and packaging to stimulate incremental demand and improve market presence against a **strategy**.” - AMR Research

## ***Effective Trade Promotion Management***

- Each dollar spent has a goal
- Data and processes support that goal
- Continuous improvement
- Programs based on ***joint value creation***
- Provides input to demand planning



# Focus: Answer the Right Question

- What business questions are you trying to answer?
- What are you really trying to achieve?
- Does it add value?
- Can you sell it?
- What is the right metric?





# Where's Your Focus?

Trade Budget	Trade Liabilities
Fund Types	Trade Promotion Evaluation
Corporate Promotions	Scenario Planning
Approvals	Forecasting
Overspent	Spend within Guardrails

**Which one is:**

- **Going to move your bottom line and drive growth?**
- **The foundation for collaboration with your customer?**

# ***Bars Off***

**Customers don't care about what systems you use to plan your promotions!**

**They care about sustainable promotion strategies which:**

- ***Grow their categories***
- ***Increase shopper trips***
- ***Increase basket size***

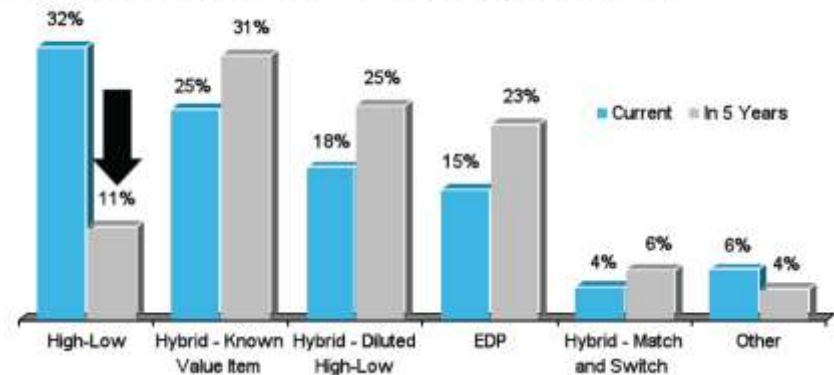


# Bars Off: Absent Sustainable Strategies... Retailers Shift to Price

Allocation of Trade Promotion Dollars — Retailers

	Current Allocation	Allocation in 5 years
Price	70%	76%
Ad Fees	18%	15%
Slotting	9%	4%
Other	4%	5%

Type of Promotion Strategy — % of Retailers Responding



- Shift to everyday low price or every day low cost
- TPO with TPM struggles with price
- Requires different set of models, more granular data or both



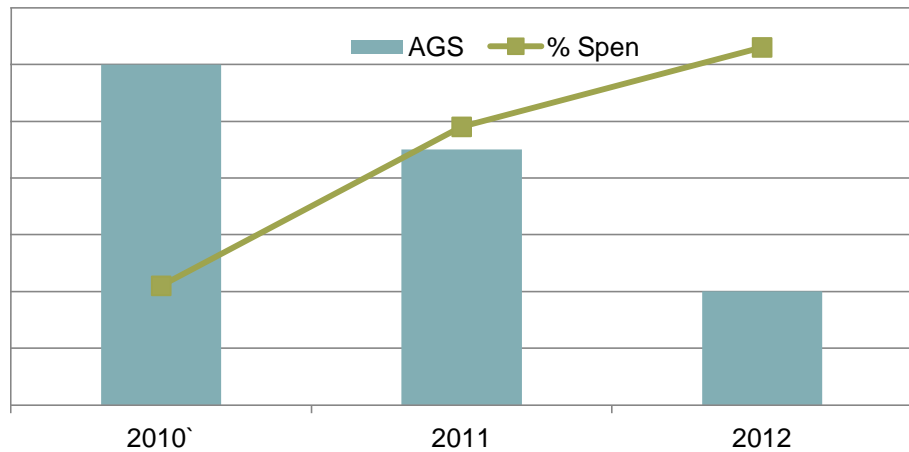
# Bars Off: We Have to Reach for More

If we want to activate consumers

- No longer focus solely on lift, ROI and cost per incremental unit, profitability
- Have to consider the number of households, household trips, consumer segmentation or types of consumers, basket size, etc.
- Have to look beyond common ways of merchandising to enhance traditional methods



# Bars Off Collaboration



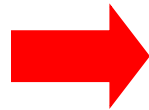
Recognizing joint business problems leads to joint value creation

# Collaboration Case Study

## *Major Retailer: Focus Account*

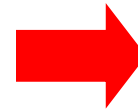
### Insights

- Input costs rising
- Net price advance
- Trade outlier
- Growth slowing



### Action

- Collaboration
- Event ROI analysis
- Price elasticity



### Indices

- Volume: 158
- % Spend: 71
- Net Sales: 164
- Margin: 184
- Target 166
- Category 125
- Retailer GM 152

### Retailer Pressure

- Declining base lines
- Looking to shrink space
- Didn't feel category was important
- All money going towards ads

### Sold into Customer

- Move to hybrid
- Grow baseline by moving to lower price everyday
- Grow incremental with free ads
- Competition not performing

**ALIGNMENT**

**Trade Promotion Management**

<i>Seeking</i>	<i>KPI's</i>	<i>Our Experience</i>
<ul style="list-style-type: none"> <li>• Sane, streamlined process</li> </ul>	<ul style="list-style-type: none"> <li>• Days to resolve deductions</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced days to resolve from 56 to 21</li> </ul>
<ul style="list-style-type: none"> <li>• Captures right data</li> </ul>	<ul style="list-style-type: none"> <li>• Recovery of invalid deductions</li> </ul>	<ul style="list-style-type: none"> <li>• More than doubled invalid recovery</li> </ul>
<ul style="list-style-type: none"> <li>• Each requirement is value add</li> </ul>	<ul style="list-style-type: none"> <li>• Late deals/promotions</li> </ul>	<ul style="list-style-type: none"> <li>• Working on it</li> </ul>

***Make sure your TPM system works for you – not the other way around.***



**ALIGNMENT**

**Business Intelligence**



<b>Seeking</b>	<b>KPI's</b>	<b>Our Experience</b>
<ul style="list-style-type: none"> <li>• Transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Fund Utilization</li> <li>• Analytics</li> </ul>	<ul style="list-style-type: none"> <li>• Utilizing 99.85% of budget</li> </ul>
<ul style="list-style-type: none"> <li>• Efficient management of trade</li> </ul>	<ul style="list-style-type: none"> <li>• Cost of Sales</li> </ul>	<ul style="list-style-type: none"> <li>• Sales increase 50% since 2007 – reduced staff</li> </ul>
<ul style="list-style-type: none"> <li>• Starting point for TPE and predictive trade</li> </ul>	<ul style="list-style-type: none"> <li>• Time to realize business case for TPE and predictive</li> </ul>	<ul style="list-style-type: none"> <li>• Hit the ground running</li> </ul>
<ul style="list-style-type: none"> <li>• Customer Profitability</li> </ul>	<ul style="list-style-type: none"> <li>• Customer contribution</li> </ul>	<ul style="list-style-type: none"> <li>• Working on it</li> </ul>

***Your BI tool should provide answers to key business questions***

# Trade Promotion Evaluation

**ALIGNMENT**

<i>Seeking</i>	<i>KPI's</i>	<i>Our Experience</i>
<ul style="list-style-type: none"> <li>Seeking to understand the distribution of promotional return (Booz Allen White Paper)</li> </ul>	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Cost per incremental unit</li> <li>Lift</li> </ul>	<ul style="list-style-type: none"> <li>Increase bottom third ROI by 60%</li> <li>Always working to refine</li> </ul>

***Trade promotion return on investment is normally distributed***



# Predictive Analytics

**ALIGNMENT**

Seeking	KPI's	Our Experience
<ul style="list-style-type: none"> <li>Forward looking view of business</li> </ul>	<ul style="list-style-type: none"> <li>Forecast Accuracy</li> </ul>	<ul style="list-style-type: none"> <li>Improved forecast accuracy by 200%</li> </ul>
<ul style="list-style-type: none"> <li>Forward looking view of event performance</li> </ul>	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Cost per incremental unit</li> <li>Lift</li> </ul>	<ul style="list-style-type: none"> <li>Declining cost per incremental unit</li> <li>Improved ROI on merchandising by 10%</li> <li>Outperform competition - lift per point of price reduction (McKinsey Consulting)</li> </ul>





# Bloomberg Article

- Shruti Singh, October 3, 2012



**ALIGNMENT**



“Hormel Foods Inc., the maker of the iconic Spam canned meat used to feed Allied troops during World War II, ***produced the best risk-adjusted return among peers*** over the past decade”

“Hormel ***gained 11 percent*** when adjusting for volatility, ***best among 14 U.S. companies with sales of at least \$2 billion in meat, dairy, frozen, canned and perishable foods***”

“***Net income*** over the past five years ***grew by an average of 11 percent annually*** as sales expanded ***6.7 percent***”

# Recent Recognition



*Supplier of the Year*

2011



*Oracle Consumer Goods  
Industry Excellence Award*



*ALIGNMENT*



*Fresh Vendor of the Year*

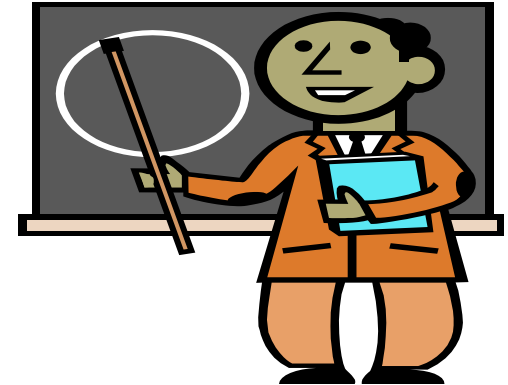
2012



*Vendor of the Year for  
Perishables*

# Key Lessons from Hard Work:

- Collaborate with the front line
- Understand the business question
- Secure executive support
- Narrow focus, secure wins, market progress
- Benchmark progress
- Keep an open mind
- Use the right data
- Build your own “Area 51” or “Skunkworks”
- Pick the right partners



# Questions?