

COLLABORATIVE MARKETING SUCCESS VIA NEXT GENERATION TRADE AND REVENUE OPTIMIZATION!



**SPRING
SUMMIT 2018**

“Winning with TPx, Retail Execution,
and Advanced Analytics Capabilities
Across Channels”



Is Sales Effectiveness an Oxymoron?

How Companies Can Get More Out of Their Selling Resources

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At the end of this session, you will be able to:



- ✓ Better understand the issues facing today's sales organizations
- ✓ See how you compare against your CPG peers on key sales benchmarks
- ✓ Learn "what good looks like" based on leading performers (top quartile)
- ✓ Identify specific actions you can take to improve your own sales performance

Evolving consumer/shopper demands impact how companies do business



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Less than
50%
prefer **gender-specific** products



12

=

age when 13- to 17-year-olds owned their first cell phone



93% of parents say their children influence family spending and household purchases

CPG sales organizations struggle to see a return on their investments



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70% of purchase decisions made at point-of-sale

\$466b is lost globally due to overstocks

26% of shoppers switch when a product is out-of-stock

86% of companies are not satisfied with their ability to manage trade promotions

\$634b is lost globally due to out-of-stocks

35% of field salespeople time is non-customer-facing

Source: EY research, streetspotr.com, retailwire.com/discussion/retailers-suffer-the-high-cost-of-overstocks-and-out-of-stocks/, pointinstitute.com/wp-content/uploads/2017/10/POITPxVendorPanorama2017.pdf

EY launched a survey to better understand these challenges ... and what companies are doing to win

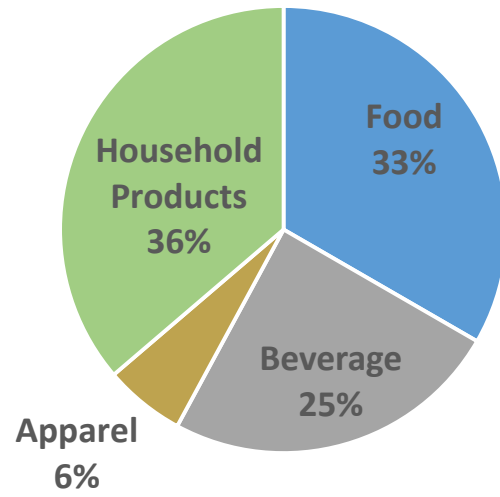


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104 survey respondents and 7 in-depth interviews across*:

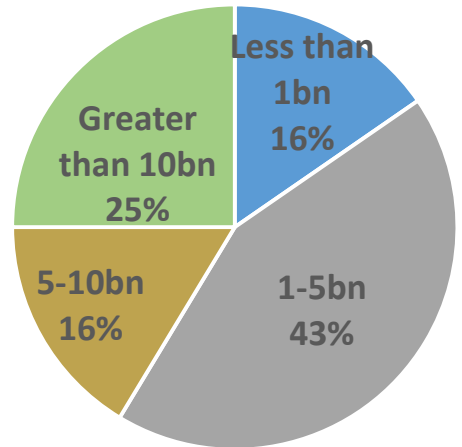
- Food
- Beverage
- Household Products
- Apparel

Distribution of respondents by sector



Preliminary

Distribution of respondents by company size**



Online survey data gathered on:

- Sales strategy & planning
- Account management
- Field execution
- Order-to-cash
- People management
- Data & technology
- Digital/eCommerce

*As of 04/10/18
**Based on annual gross revenue

The survey revealed several interesting takeaways ...



Summary of key responses*

Preliminary

- 1 Sales volume forecast accuracy is **87%**
- 2 ROI on promotion events is **16%**
(*breakeven = 0%*)
- 3 Cost of sales as a % of gross revenue is **2.2%****
- 4 Gross revenue per sales FTE is **\$29m**
- 5 Sales execution compliance is **83%**

*Based on mean responses (excluding companies less than \$1bn)

**Does not include broker/3rd party costs

1 Sales forecast accuracy



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“What Good Looks Like”

Preliminary



Lower quartile 75-85%	Average 87%	Upper quartile 90-95%
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Characteristics

- No formal process (highly manual)
- Little cross-functional involvement
- Lack of fact-based, quantitative analysis
- Limited understanding and accountability of downstream effects
- Not engrained in organization priorities/culture

Characteristics

- Standard, cross-functional process
- Regular (e.g., monthly) calls/ meetings to reconcile forecast and action opportunities
- Data-driven forecast modeling tool
- Measurement & accountability of forecast quality metrics/KPIs
- Integral to organization priorities/culture

Back to Summary of Key Responses

2 ROI on trade promotion (breakeven = 0%)



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“What Good Looks Like”

Preliminary



Lower quartile	Average	Upper quartile
-8-5%	16%	25-46%

Characteristics

- Limited analytics capabilities (e.g., post-event, pre-event)
- No library/repository for capturing and sharing learnings
- No prioritization – i.e., perform ad-hoc analysis (as needed)
- Where tools exist, not effective due to poor data, misaligned models, or ineffective reporting mechanisms

Characteristics

- Advanced analytics for top 15-20 accounts* (standard aggregate reporting for ‘all other’)
- Analyze by customer/PPG (and aggregate across categories/brands)
- Causal decomposition to identify performance drivers
- Repository/library of good vs. bad event performance
- Set cadence for tracking and sharing learnings

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*Representing 60-80% of revenue

3

Costs as % of gross revenue**



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“What Good Looks Like”

Preliminary



Lower quartile 2.5%–15.0%	Average 2.2%	Upper quartile 0.3%–1.0%
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Characteristics

- Significant sales force time spent on administrative tasks
- Limited use of sales force automation tools
- Inconsistent or manual processes for collections/returns/credits/deductions
- No EDI or EFT for invoices/payments

Characteristics

- Selling activities done by most efficient resources (e.g., brokers, call centers, distributors)
- Administrative activities performed by low cost resources (e.g., COEs*)
- Mobile tools/automation used to enhance sales team's productivity
- Paperless orders/EDI and EFT for invoices/payments
- Robotic process automation (RPA) to eliminate manual activities

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*Centers of Excellence
**Does not include broker/3rd party costs

4 Gross revenue per FTE



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“What Good Looks Like”

Preliminary



Lower quartile \$2M–\$13M	Average \$29M	Upper quartile \$43M–\$71M
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Characteristics

- Sales planning initiated right before fiscal year with no linkage between planning and budgeting
- Resources allocated inconsistently or by basic segmentation (e.g., based on size)
- Lack of standard processes or guidelines to facilitate planning with customers
- Decision-making based largely on past sales performance

Characteristics

- Product strategies/priorities clearly aligned with customer/channel plans
- Resources allocated to strategic “growth” channels/customers
- Value-added support/services customized for “top-tier” accounts
- Data/analytics and tools used to improve efficiency and effectiveness (e.g., forecasting, assortment)
- Decision-making fact-based to optimize volume/profitability

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*Centers of Excellence

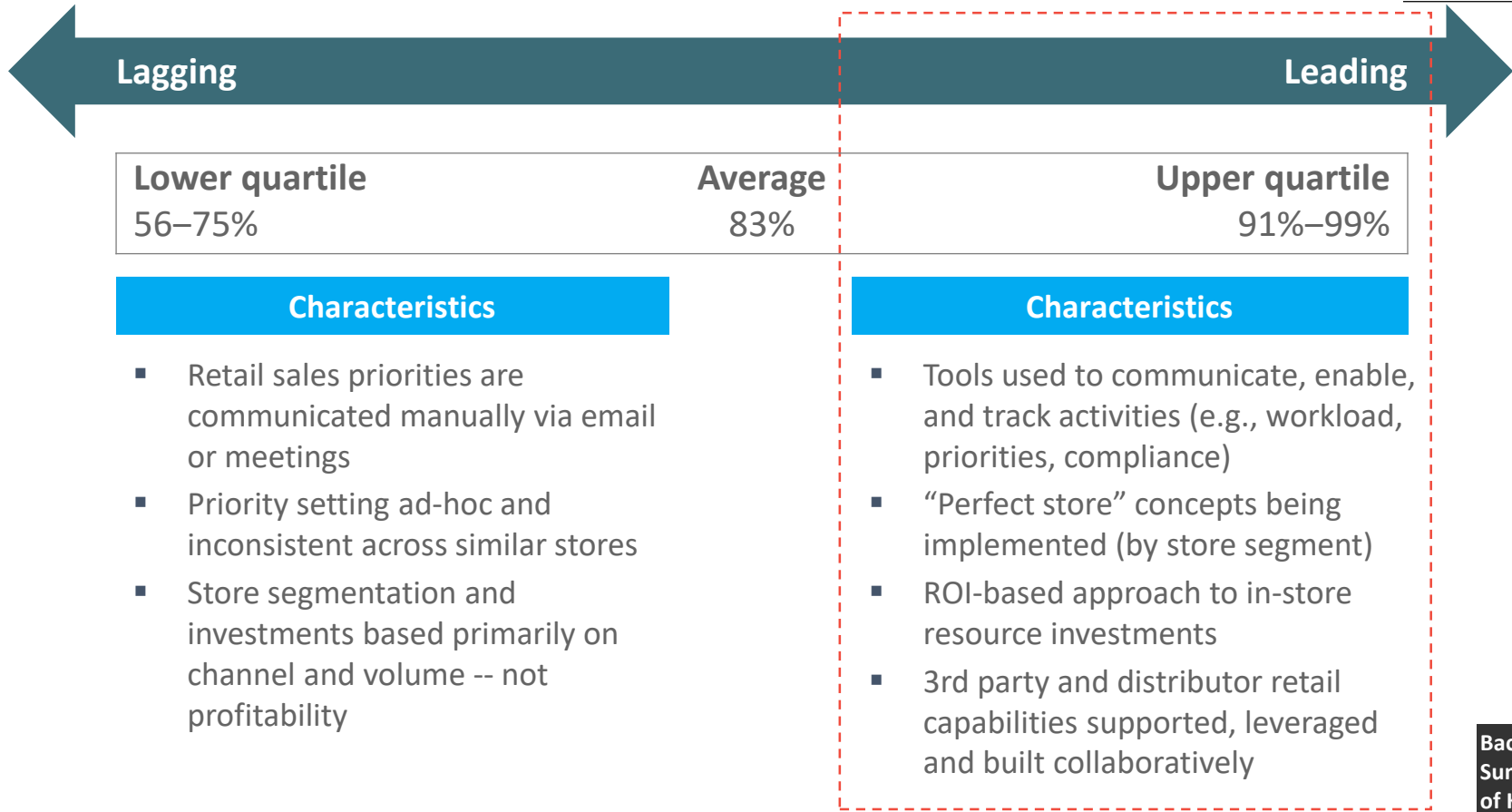
5 Sales execution compliance



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Preliminary

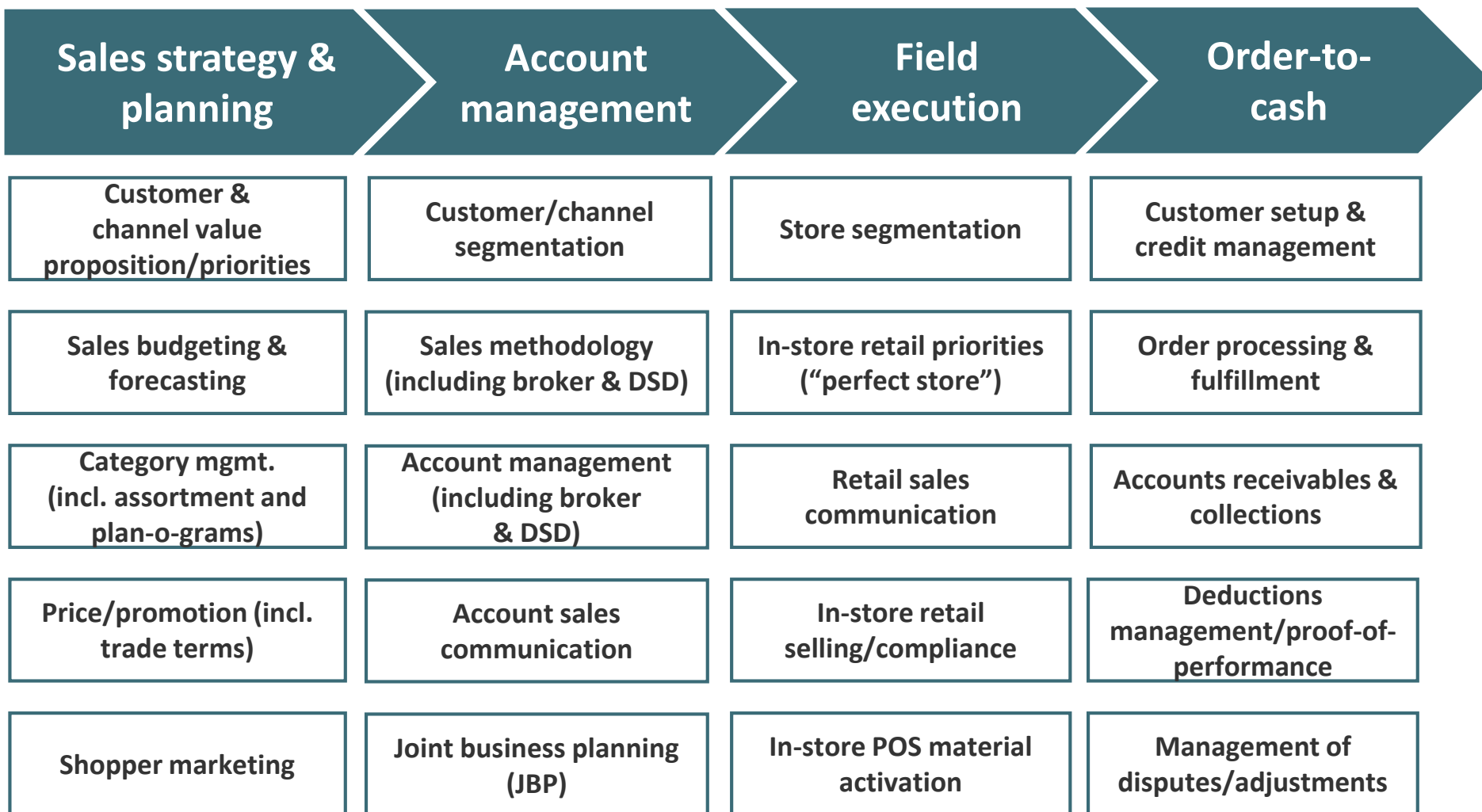


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Sales process framework



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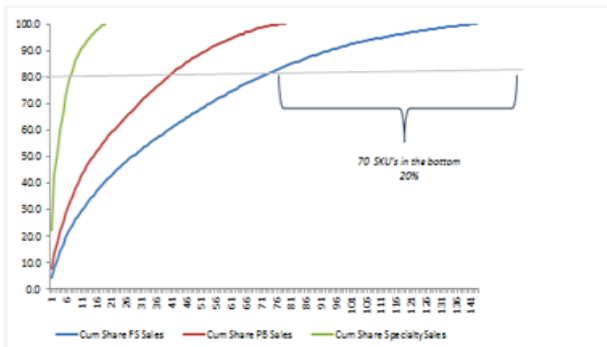
Source: EY Sales Process Framework

Strategy & planning (assortment, price, and promotion)

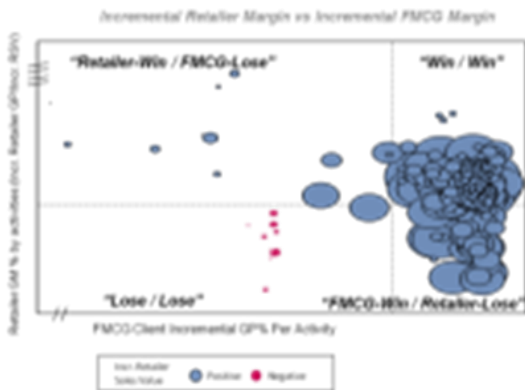


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Assortment



Price/Promotion



1 Optimize everyday prices

2 Use smaller discounts – only go deep for feature or display

3 Rethink duration, timing, shopper marketing and co-promotions

4 Create promotion strategies at the retailer and PPG level

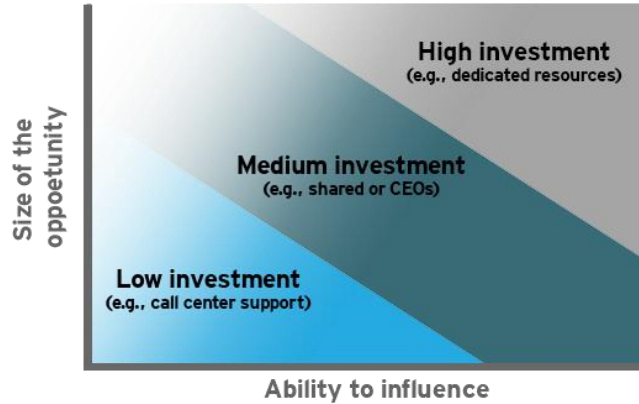
5 Build profits for both the retailer and the manufacturer

Account management



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Customer segmentation



Cost-to-serve analysis



Tier I – “High investment”

- Direct coverage at HQ and/or retail
- Dedicated, cross-functional support
- Value-added services (e.g., JBPs, advanced analytics, customer P&Ls)

Tier II – “Medium investment”

- Hybrid coverage model (direct at HQ and/or broker at retail)
- Shared support resources (e.g., HQ or regional “centers of excellence”)
- Standard services (e.g., co-promotion, dashboards, category management)

Tier III – “Low investment”

- Broker/3rd party, call center or no coverage
- No or outsourced support resources
- Basic or no services (e.g., self-service or Excel-based reports)

Field execution



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Value levers*

**Decrease
in-store
selling costs
0.5-1%**

**Increase
net sales
revenue
1-2%**

**Increase
operating profit
2-3%**

Value drivers

- Streamline in-store spending (i.e., reduce or eliminate unproductive spend)
- Improve resource productivity (e.g., reduction of non-value added activities)
- Realign activities to more cost-effective resources
- Allocate in-store spend to activities that drive more sales (e.g., growth channels/customers, “perfect store”)
- Increase in-store compliance/effectiveness (e.g., more distribution, lower out-of-stocks, greater promotion compliance)
- Allocate in-store spend to activities that drive more sales (e.g., higher ROI campaigns and promotions)
- Focus in-store resources on higher margin products and/or activities
- Use analytics to improve margin on “customer investment”(e.g., lower markdowns/coupon values)

Food & beverage manufacturer

Improved in-store retail efficiency and effectiveness

Actions

Profitably impacted retail selling costs and execution performance through the following:

- Common process x-channels
- Identification of centralized vs. decentralized roles
- Retail sales support “COE”**
- More effective use of tools


Results

- Improved in-store retail productivity
- Lower selling cost by 1%

*Industry averages based on EY experience (calculated as a percentage of net sales revenue)

**Center of Excellence


Order-to-cash (OTC)


Centralize administrative activities to Sales can focus on selling




Standardize and automate the capture of standing data



Standardize and automate proof-of-performance (PoP)



Adopt proactive approach to calculating promotion invoices



Codify ‘ways of working’ to embed and improve capabilities

*Electronic Data Interchange

Alcoholic beverage company

Unlocked significant value in order-to-cash (OTC)

Actions

Took “holistic” process, organization, and technology approach including the following:

- Self-service/web pricing, ordering, and billing information (real-time)
- Centralization by region (e.g., Americas)
- Automation of transactions (EDI*, invoices, payments, etc.)

Results

- Constant SG&A with sales growth
- 15% savings over baseline SG&A (assuming no growth)

Call to action – how to move forward



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Benchmark your capabilities



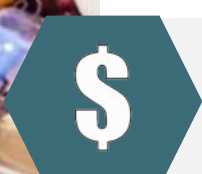
Identify gaps/opportunities



Prioritize key action steps



Build or enhance capabilities



Invest in greatest return

Call to action – how to move forward (cont'd)



If you are interested in benchmarking your capabilities by participating in the survey, please contact:

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