

POI Global Promotion Optimization Summit



Big Data
Pricing TPO
Retail Execution
Mobility TPM

Integrated Business Planning (S&OP): How the Face of Planning is Rapidly Changing to Provide Enterprise Agility

Michael Creasey – Senior Business Consultant
Richard Nicholas – Sales and Marketing SVP
May 2016



Session B

How Integrated Business Planning Drives Mutual Growth

The demand on commercial teams to deliver improved business performance never ceases in today's environment. Sales teams are poorly equipped and use disparate systems, spreadsheets and data sources which are built for control rather than commercial decision making. Learn in this session how to improve Cost and time effective planning with insights that maximize opportunities between suppliers and retailers, realizing shared objectives that increase sales, profits and mutual growth

Presented by: Michael Creasey, Senior Business Consultant, Exceedra

How Integrated Business Planning Drives Mutual Growth

Michael Creasey – Senior Business Consultant

Richard Nicholas – Sales and Marketing SVP



19th April 2016

Richard Nicholas



Richard Nicholas

Director – Sales and Consulting

☎ 07880 508010

✉ Richard.Nicholas@Exceedra.com

- Co-founder and lead all sales and marketing globally for Exceedra for the past 5 years
- Prior to Exceedra worked in the Consumer Goods Sector either in Industry for Software Companies
- FMCG experience directly within Gillette and P&G, and work in consulting roles with over 50 FMCG Companies
- Studied Manufacturing and Management at the Universities of Exeter and Cambridge
- Specializations: Integrated Business Planning, Trade Promotion Management and Optimization and Integrating external Insight



Michael Creasey



Senior Business Consultant

☎ +44 (0)7879 444 125

✉ Michael.Creasey@Exceedra.com

- Senior Business Consultant with Exceedra
- Latterly Head of Revenue Management responsible for overall Weetabix Trade Spend Budget (c.£70m)
- Previous experience within Sales, Trading and Finance
- Weetabix roles include Sales Planning Manager, NAM, Projects including Pricing excellence and implementation of Exceedra solution



Exceedra Overview

Product

Integrated Business Planning Solutions

- Sales and Operational Planning
- Trade Promotion Management/Optimization
- Joint and Customer Business Planning
- Revenue Management and Analytics
- Integrated Insights

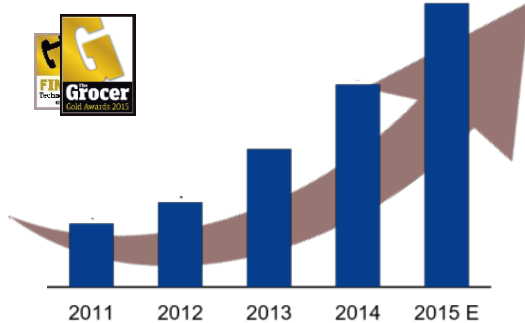
Geographies

In 12+ countries



Profile

Gartner



30% YoY Growth

No. of Employees: c. 70

Strong referenceable customers

Outcomes

- Trade investment improvement 1-10%
- Forecast accuracy +10%
- Annual planning cycle time reduced
- Improve visibility & confidence in the plan and insights
- Reduce working capital
- Organizational efficiency
- Platform for further enhancement as business matures and develops

Growing Customer Community Including ...



Abbott Nutrition
For Healthcare Professionals



dyson



Panasonic



Bernard Matthews
farms

Cloetta



Process Coverage





	Foundational	Advanced	Differentiating
Revenue Management	<ul style="list-style-type: none"> Trade Promotion Mgt Pre and Post Evaluation Promotional Scenarios Net Margin Management 	<ul style="list-style-type: none"> Promotion Optimization Trade Terms Alignment Joint Business Planning 	<ul style="list-style-type: none"> Consumer Price Opt Competitor Modelling
Sales & Operational Planning	<ul style="list-style-type: none"> Demand Planning Sales Planning Inventory Planning Supply Planning 	<ul style="list-style-type: none"> Promotion Mgmt Customer Business Plan New Product Introduction 	<ul style="list-style-type: none"> Joint Business Planning Product Portfolio Mgt Risk and Opportunities Board Pack
Integrated Insights	<ul style="list-style-type: none"> Role Based Reporting Ad-hoc Analytics Plan Actualization 	<ul style="list-style-type: none"> External Data Strategy POS Data Automation Syndicated Data 	<ul style="list-style-type: none"> Shopper Data Category Analytics

Integrated Business Planning

The process that extends the principles of S&OP throughout the business to optimize and align customer demand with strategic planning, to deliver one seamless management process



UK Multiples' cash generation poor

	Year	Net Cash £'m	Sales £'m	Cash/sales %
	2015	£1,276	£23,775	5.4%
	2014	£1,579	£23,949	6.6%
	2014	£1,163	£23,232	5.0%
	2013	£793	£23,325	3.4%
	2015	£2,165	£62,284	3.5%
	2014	£2,506	£63,557	2.4%
	2015	£240	£16,816	1.4%
	2014	£258	£17,680	1.4%

UK Major Retailer vulnerability

- Experiencing unprecedented set-backs
- Irreversible share loss to discounters and local convenience
- Business rates & Minimum wage
- Under spotlight of GCA, Tesco's GSCOP report a starting point
- Financial Reporting Council Investigation under way
- SFO imposing financial penalties
- Government needing to optimise Corporation Tax returns.

Large space redundancy

- Large space retailers finding 20% redundancy,
- Meaning dilution of £1,000/sq. ft./annum
- 80% of sales are generated by 20% of the SKUs
- Long tail unproductive
- 50 year lock-in (2% depreciation)
- Outlet sell-off impact on real estate prices
- Online
 - Space – And its cost – Are irrelevant online
 - Long tail not an issue – Can offer infinite choice

Consumer change

- Shifts in consumer shopping behaviour to smaller, faster, closer, more frequent, more convenient purchasing
- Flat or declining category growth
- Trend for health
- Result large space redundancy in major retailers
- All diluting major retailer profitability, in the eyes of the stock market

Consumer change

VERSION 2

Shifts in consumer shopping behaviour to smaller, faster, closer, more frequent, more convenient purchasing

Flat or declining category growth

Trend for health

Result large space redundancy in major retailers

All diluting major retailer profitability, in the eyes of the stock market

Result = “squeeze the supplier”

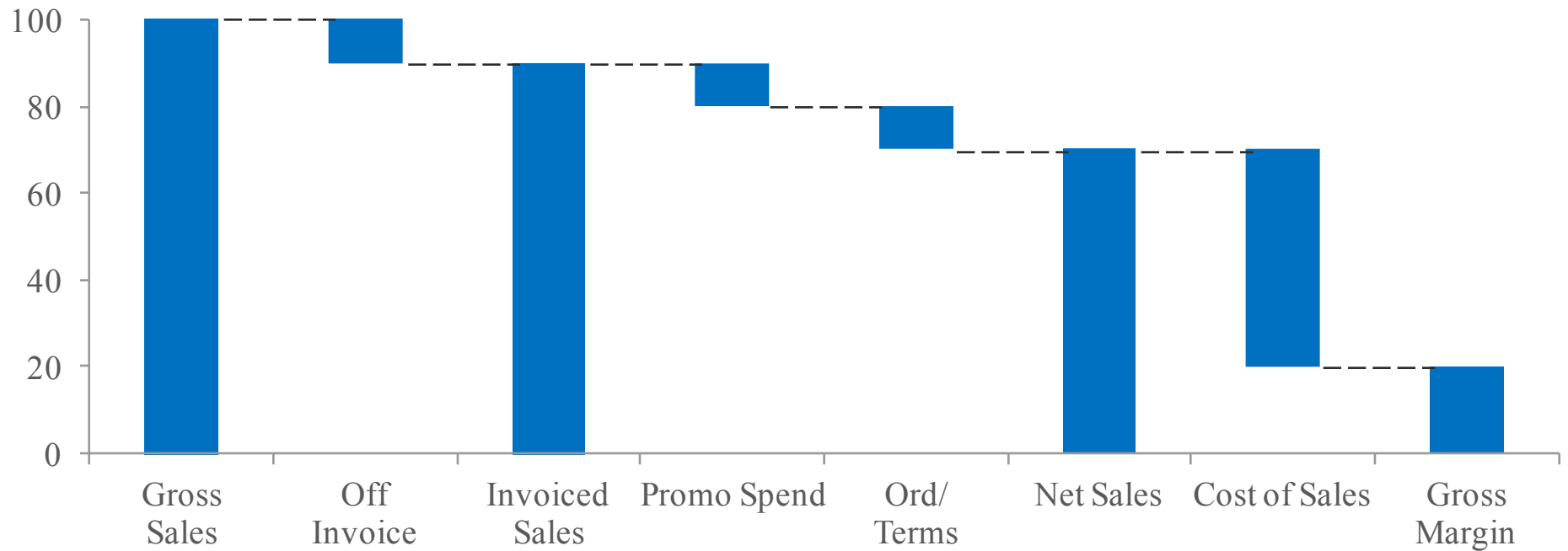
Supplier opportunity

- UK major retailers ready for unprecedented degrees of collaboration with suppliers
- More tailor-making to local need could be more receptive to fair-share negotiation
- Focus on actual results

Supplier opportunity...

- Major retailers ready for increased degrees of collaboration with suppliers
- More tailor-making to local need could be more receptive to fair-share negotiation
- Focus on fact based proposition results

At its highest level suppliers need capability to react effectively to change



Speed and Accuracy

Understand Impacts of change

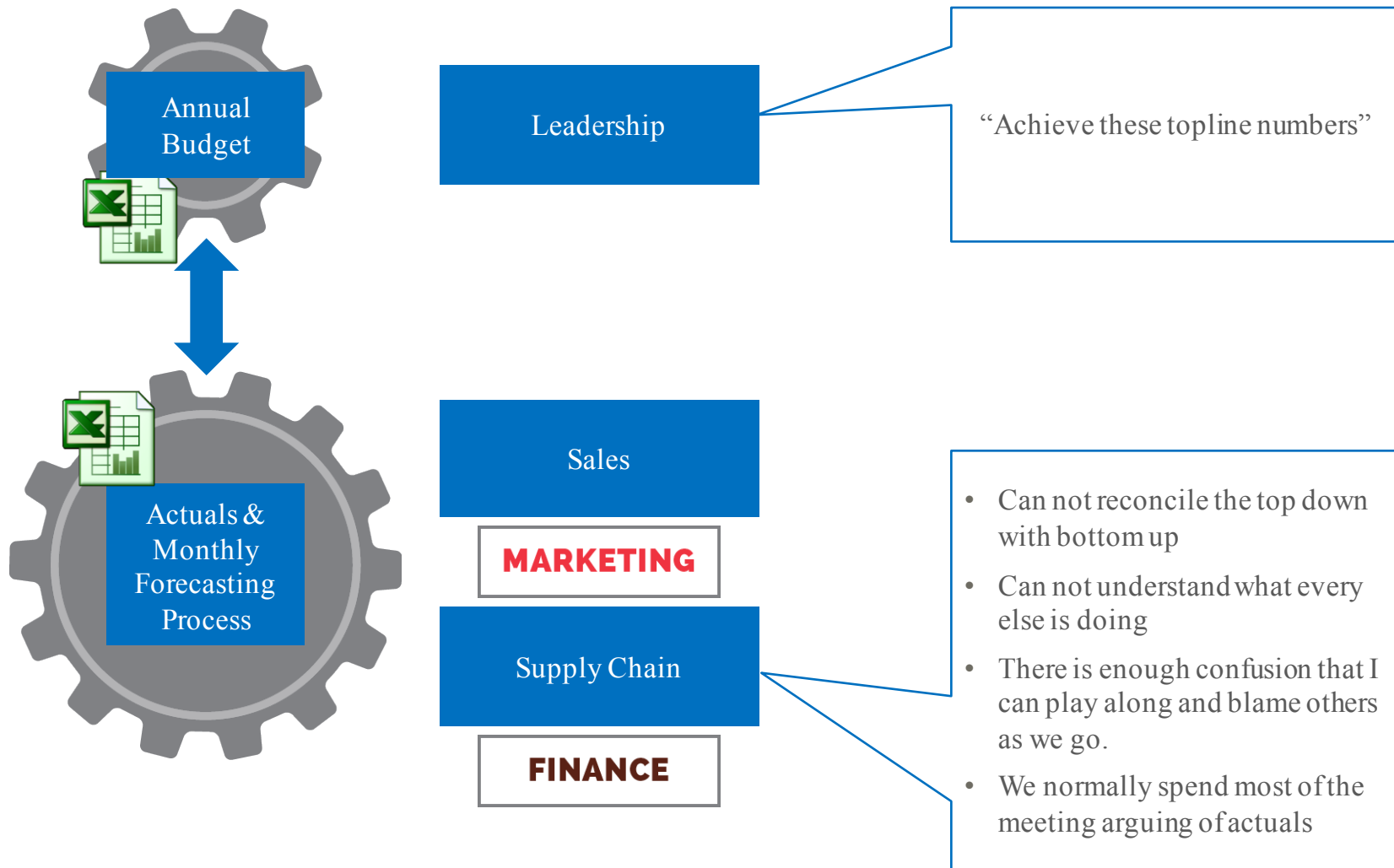
Organisational Alignment

Proposed solution and impact assessment

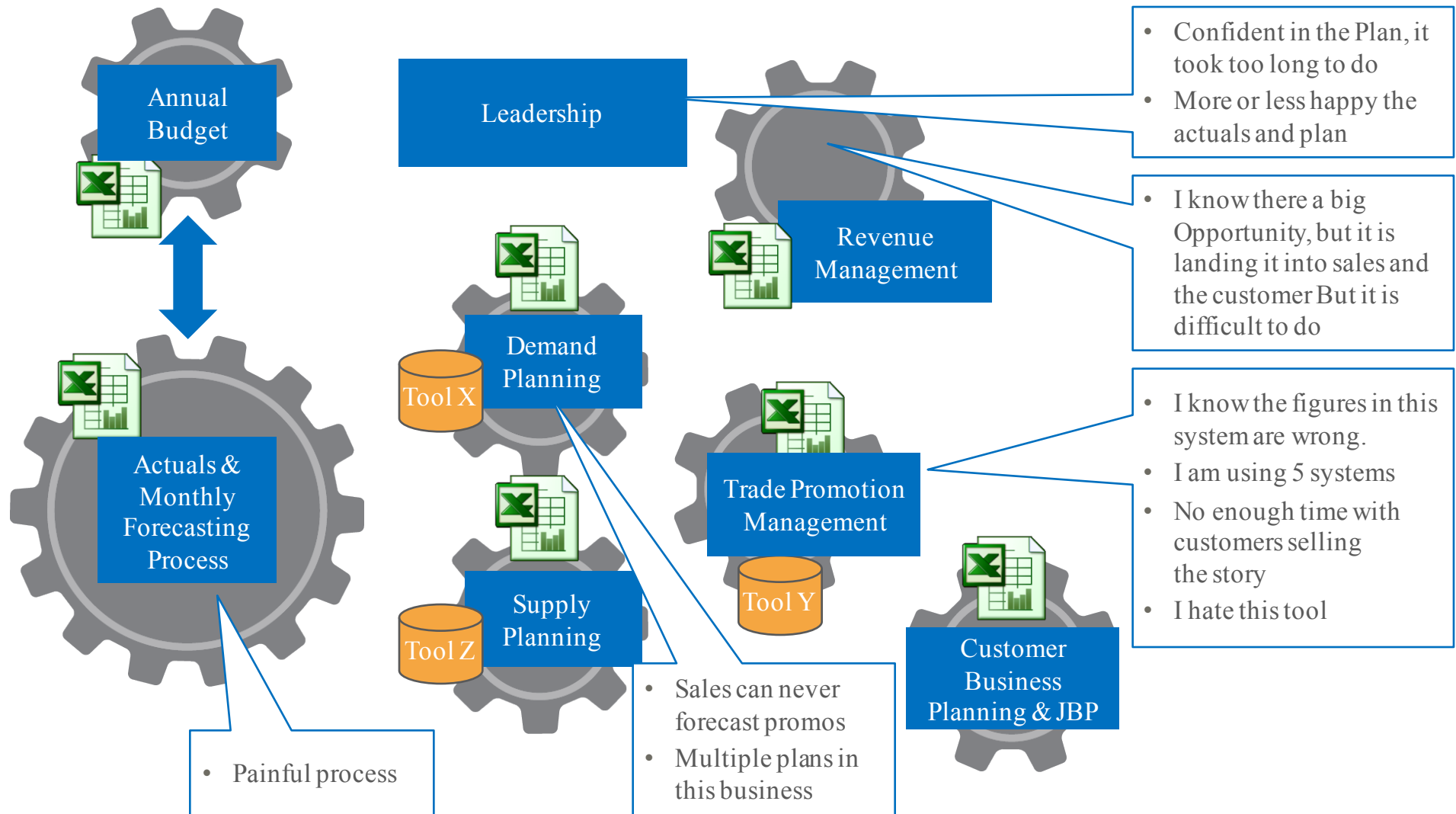
Execute and Monitoring

Different type of CPG business

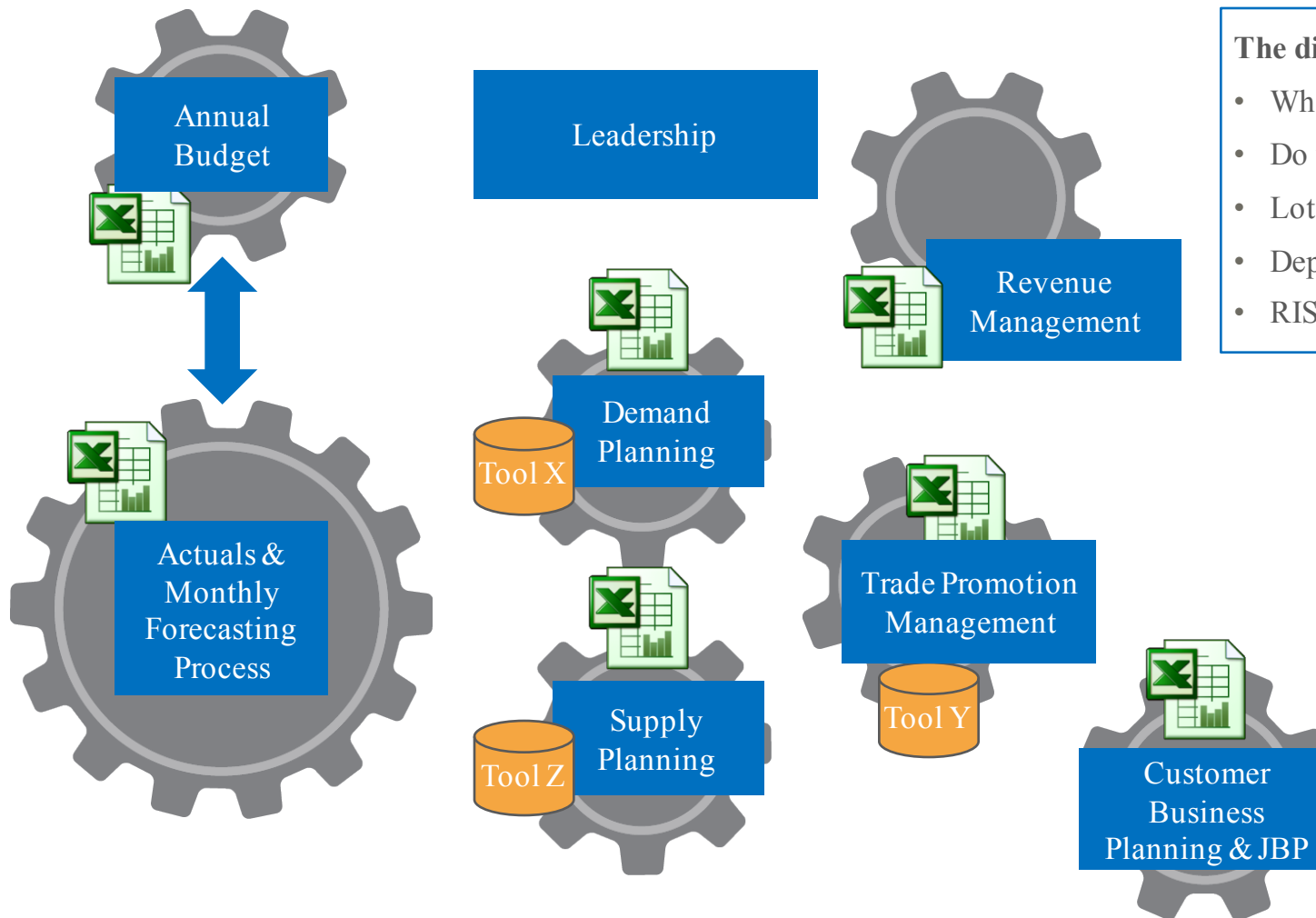
The live and hope business



The we are trying but it is hard business



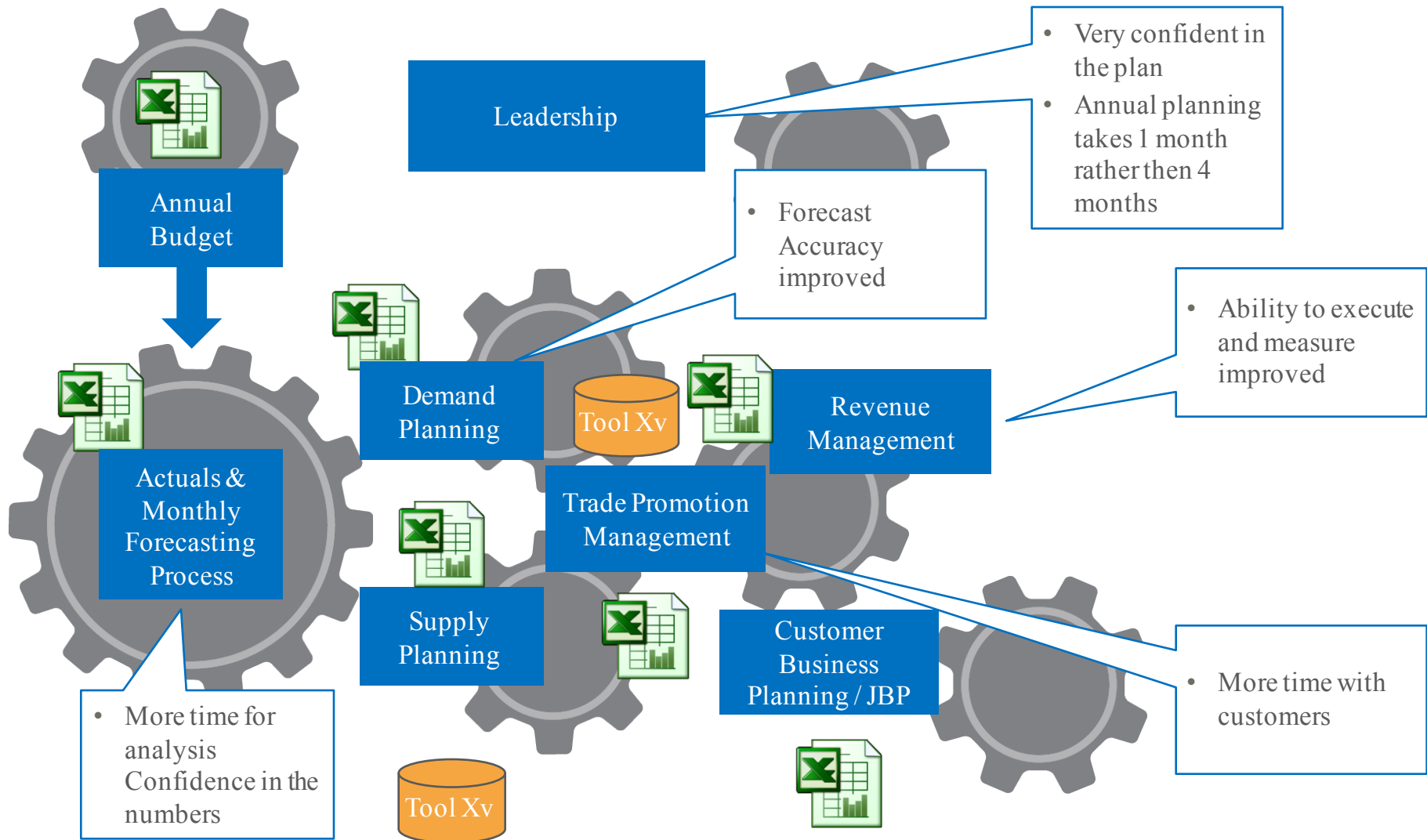
The we are trying but it is hard business



The dilemma faced..

- Where do we start..
- Do we invest in point solutions
- Lots claims of claims
- Departmental agendas..
- RISK OF STAGNATION

“we are aligned and winning”



Benefits realization



Q: What benefits have you received from your work with S&OP processes?	Survey responses from customer products industry N=50	Survey responses from all other industries N=101
Increase in revenue	56%	47%
Improving forecast accuracy	56%	60%
Reduction in inventory	50%	48%
Improving asset utilization	42%	41%
Improvements in outsourced relationships	38%	31%
Improvements in new product launch	34%	46%
Improvements in the perfect order	30%	36%

 *Download larger version*

Source: AMR Research, 2007

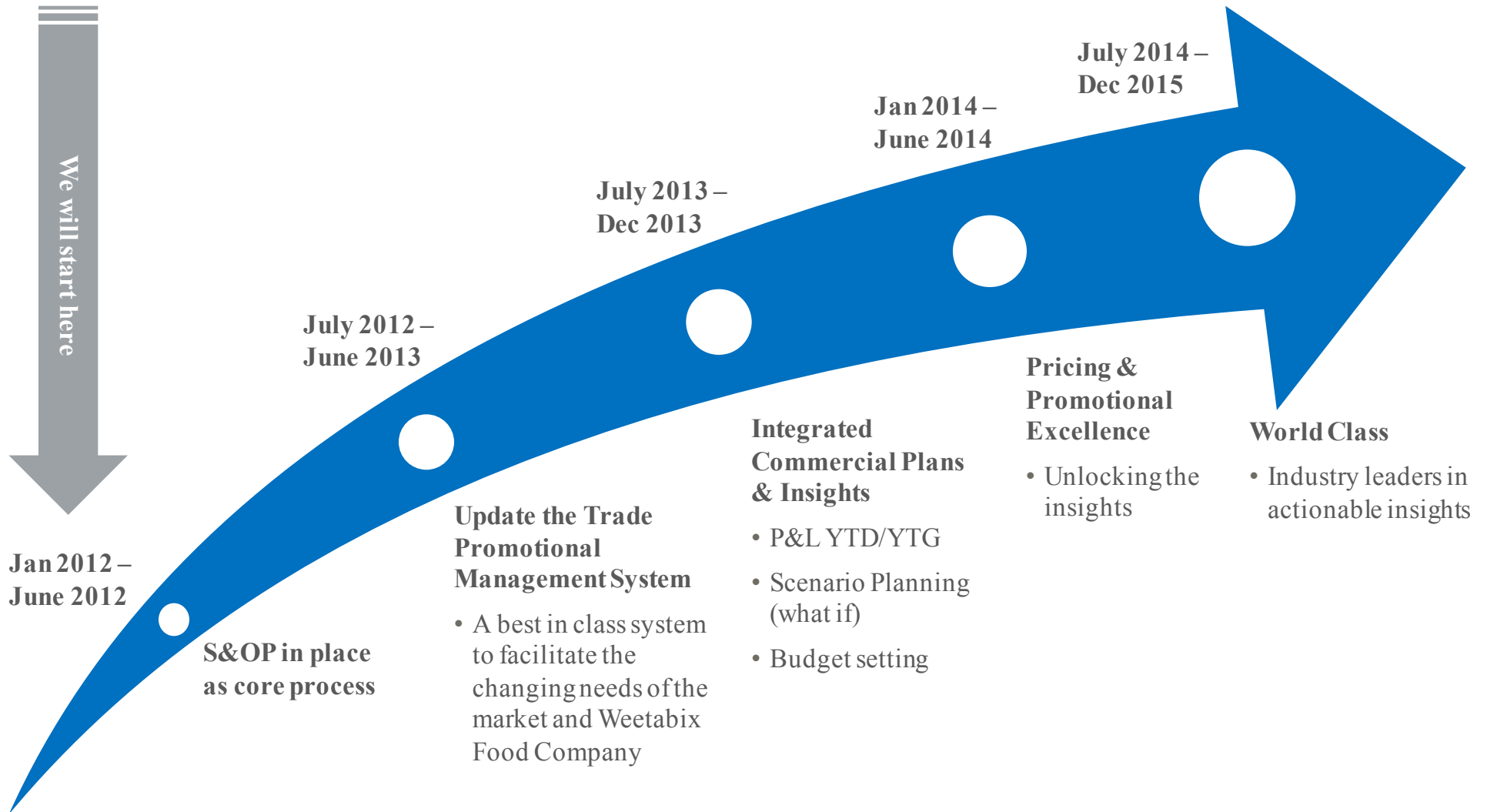
Real case study

Company credentials

- UK based cereal manufacturer exporting to 80 countries worldwide
- Number 2 cereal company in the UK
- Number 1 cereal brand in the UK
- Present in over 50% of UK Households
- £418m Group Turnover



The Journey



Real results



Benefit	Outcome
✓ Trade Spend ROI	<ul style="list-style-type: none"> • 2.7% reduction in spend maintaining volume and revenue =
✓ Forecast Accuracy, Bias & Service	<ul style="list-style-type: none"> • +5% Improvement (Driven by promotions) • Bias eliminated • +0.5% Service levels
✓ Effort	<ul style="list-style-type: none"> • Budget preparation 3 months to 4 weeks • Re-forecasting reduced from 4 weeks to 7 days • Elimination of irrelevant discussion & meeting
✓ Visibility & Agility	<ul style="list-style-type: none"> • Seeing gaps in the plan 2-3 months earlier • Being able to react to Competitors with the new plan
✓ Planning & Insights	<ul style="list-style-type: none"> • Scenario Planning • Enhanced Analytics • Automated Reporting • Live P&L

Case study



Results

“Exceedra’s accurate planning, forecasting, tracking, delivery and evaluation have improved our trade efficiencies and effectiveness. These solutions have allowed us to explore alternative promotional strategies and solutions through scenario planning.”



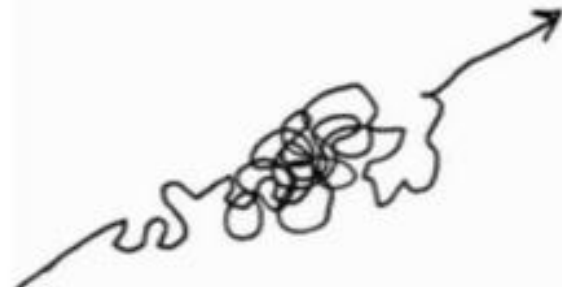
How difficult is a systems project anyway?!

Success

What people think it looks like



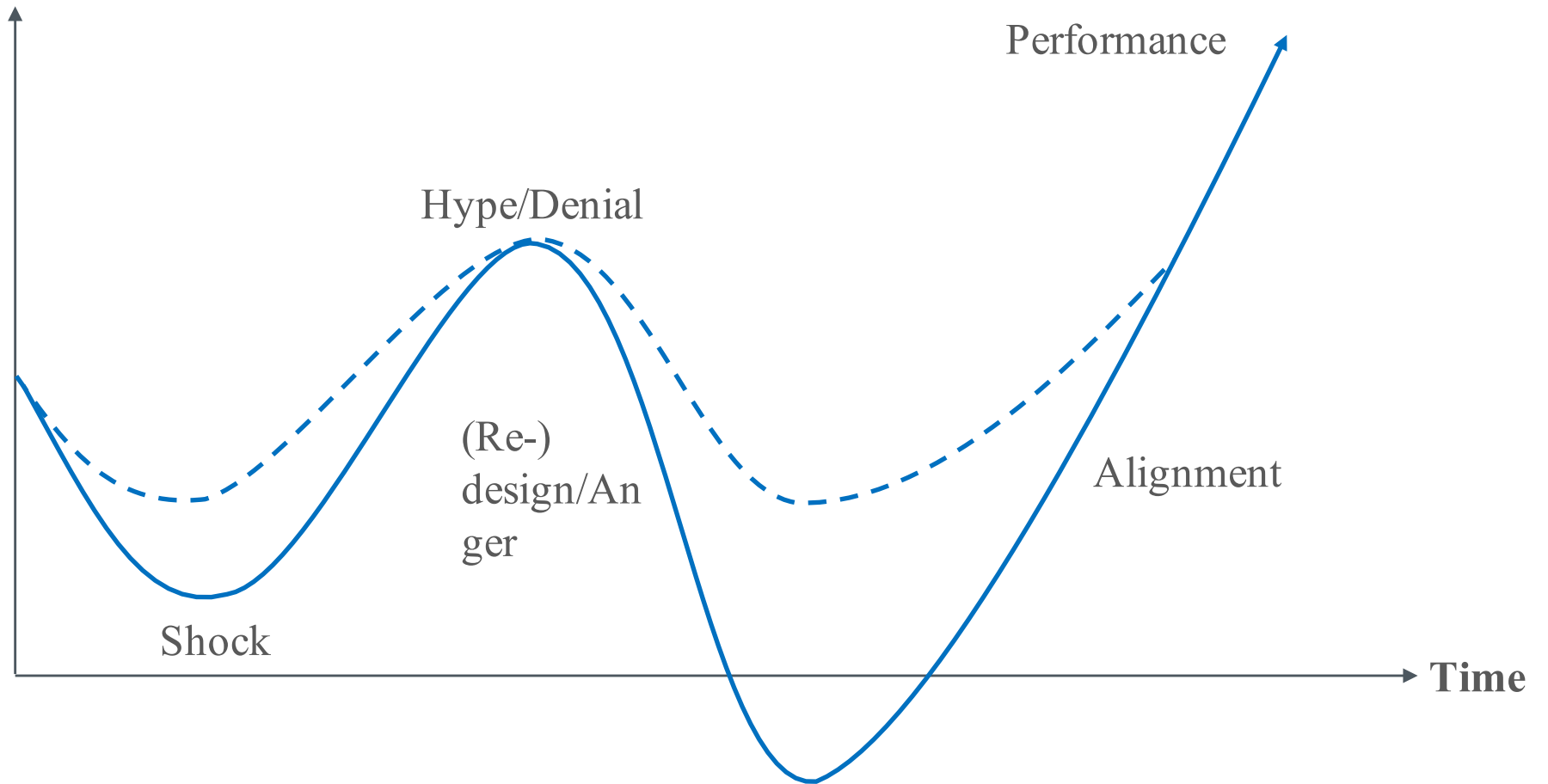
What it really looks like



Key capability required requires

- Cross functional optimisation and planning capability
- Benefits
 - Lower integration points and supplier relationships
 - Greater business outcomes
 - Easier modular approach
- Challenges
 - Where to start – Modular or big bang
 - Explain benefit of both

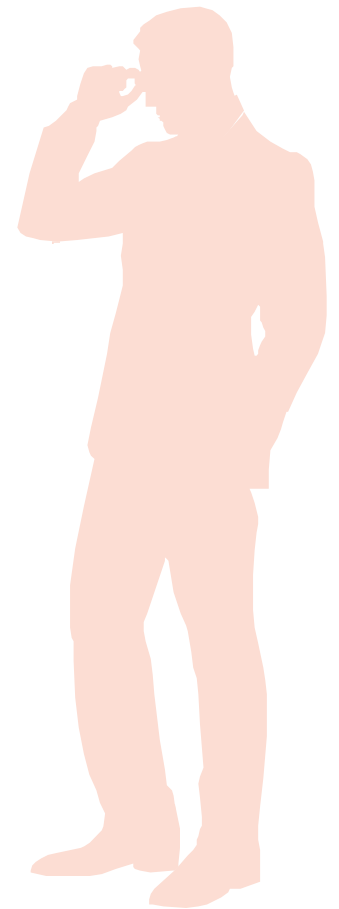
Motivation



Valley for Tears (Emotional Acceptance)

Key learnings from IBP

- 2 Year project
 - 1 year decided what you are going to do (POC)
 - 1 year implementing
- Scope Misalignment
 - Senior Management, Project Team & Users
 - Department requirements
- Over engineering the solution
 - Over complex solutions will lead to waste
 - The more benefits from simplicity



Capabilities delivered

“To assure successful “change” in collaborating with customers with 50% less effort”

Capability

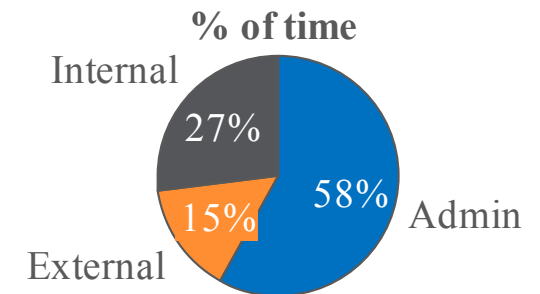
- Fully integrated Customer and Manufacturer P&L Planning
- Integration and use of EPOS data
- Scenario planning
- Cannibalisation modelling
- Risk and Opps
- Analytics and reporting
- Best practice approach S&OP and Customer management

Reduce administration time

- No maintaining of multiple & complex planning Excel sheets
- Single entry for promotions
- Streamlined reporting both internal and external
- SAP actuals in same system for planning

	YTD	YTD	2014	YTD	YTD	2014	YTD	2014
Stock Turns	6.6	6.2	6.6	6.1	6.0	6.6	6.2	6.1
Net Revenue	2 600 €	800 €	3 300 €	1 800 €	600 €	2 400 €	2 100 €	2 800 €
Volume	1 800	350	1 750	1 001	150	1 151	1 154	1 365
Retail Sales	3 300 €	1 054 €	4 354 €	2 545 €	382 €	3 433 €	2 968 €	3 824 €
Retail Volume	1 252	400	1 652	850	198	1 048	1 252	485
Retail Back Margin	32.00%	31.71%	31.84%	41.17%	48.67%	43.95%	33.33%	17.71%
Unlevered Cash Flow	3%	3%	3%	29%	2%	2%	1%	1%
Gross Margin	650 €	212 €	850 €	500 €	180 €	680 €	212 €	912 €
GM %	26.00%	26.50%	26.10%	27.78%	30.00%	28.33%	33.33%	30.29%
Net Margin	380 €	121 €	510 €	282 €	92 €	484 €	199 €	147 €
NMI %	15.00%	15.50%	15.1%	13.61%	10.83%	12.45%	28.57%	20.43%

	2014Q4	2014Q5	2014Q6	2014Q7	2014Q8	2014Q9	Grand Total
AXE Volume Singles	65,648	59,064	69,912	77,990	80,794	88,928	442,336
AXE Volume Cases	10,461	9,326	11,283	12,393	12,840	14,225	70,328
AXE GSV	4279,338	4249,586	4298,620	4327,003	4346,864	4351,963	41,853,373
AXE Promo Volume	0	0	0	2,287	0	0	2,287
AXE NIP	4203,315	4183,270	4217,207	4235,324	4251,337	4250,832	41,341,285
AXE Sales	4282,476	4254,111	4300,958	4283,160	4347,098	4380,261	41,848,064
AXE Gross Margin %	85.01%	85.87%	85.32%	83.95%	85.25%	81.20%	84.33%
AXE Trade Margin %	28.99%	28.89%	28.96%	15.93%	28.50%	33.00%	28.18%
AXE Full Margin	679,161	670,841	683,751	647,836	695,760	6129,423	6106,779
AXE Trade Margin	676,163	668,232	680,346	644,263	691,992	6125,474	6486,689
AXE Volume Sell Out	655,648	650,064	699,912	655,810	680,794	688,828	6430,156
AXE Gross Profit	4172,829	4197,382	4185,321	4188,475	4214,261	4203,672	41,118,941



Summary

- Critical to ramp up – Planning Speed and Accuracy to meet the needs of current Retail and consumer needs
- Companies need to recognise where they are in IBP planning maturity
 - Calculate value of speed and accuracy lost in business
 - Cost of poorly integrated optimisation to execution process
- Significant benefits to had with IBP
- No rocket science in this stuff