Process benchmarking to improve effectiveness, efficiency and structure in Fast Moving Consumer Goods (FMCG) firms

June 2012
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Executive summary

Benefits
The benefit of benchmarking a firm’s processes is that one company can look at other companies with different strengths and learn then improve from them.

FMCG is a truly global business and excellence varies by category and channel expertise. This is an industry in which there are several opportunities to learn and adopt best practice processes.

Why benchmark?
The purpose of benchmarking is to help companies achieve maximum effectiveness and efficiency by comparing its processes to best in class in the FMCG industry.

However strong a company is, there will be some process areas in which it is less effective. The demands of different categories, channels and industry structure make some companies better at some processes.

For example:
- Highly impulsive FMCG categories are best practice at point of purchase brand activation.

A further purpose of benchmarking is to optimise structure and cross-functional synergies.

What is best practice?
It is the identification and measurement of apples with apples processes which describe how the world’s top FMCG companies operate.

Best practice has been derived from studies of 80 FMCG firms conducted from 2006 to 2012 in lead world markets. These studies observed, evaluated, measured and documented 12 major areas of work and described these as processes.

Therefore FMCG has a standard against which one company’s ways of working (processes), and structures can be compared and evaluated against another’s.

Financial metrics
There were several observed quantifiable outcomes which companies with evolved processes enjoyed. These were found in effectiveness and efficiency. Both drive Return on Investment (ROI).

For example:
- Speed to market and rate of innovation are both effectiveness factors.
- Head count and call frequency are efficiency factors.
- Effective, efficient companies deliver better ROI and grow share more consistently.

What does Assent CG do?
Assent helps clients improve how they go about doing their work in FMCG, to deliver an increased measurable outcome. Its benchmarking partner, B4P, audits and measures FMCG firms’ efficiency, effectiveness and structure requirements.
Introduction

In FMCG Sales and Marketing, processes remain under-developed. Unlike other industries and their professions, FMCG firms treat the idea of a company having a distinctive way of doing its work, as a relatively new one. Process has only in recent years been correlated to market share gain.

Generally, the standard of a company’s processes were at some point on a three-part scale:

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

Of the 80 companies that participated in the benchmarking studies,* most were at some point on this three-part scale.

“Process” means a way of working

How companies went about doing their work (meetings, planning, Sales and Operations Plan (S&OP), communication, and standard procedures), were all described as “processes”. Some of these were major groups of processes such as brand planning and execution. Others were minor specific processes such as the different steps of a sales call.

Process example:

- The speed at which a company can respond to a shortfall in volume, or the risk of a missed target.
  - Companies that do this efficiently and effectively can resolve the matter in 10 to 14 days in three or four steps, including handoffs and sign-offs.
  - Companies with lower evolved processes will take up to 14 steps and resolution can often slip into the next period.

Functional silos

Companies with best-practice ways of working had minimal functional silos. Sales and Marketing teams worked together, and the Category/Customer Marketing role coordinated and facilitated brand activation – and added value to point of purchase activity.

An optimal structure is enabled by developing or mature processes. However, under-developed processes can hamper or sabotage an optimum structure.

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* Conducted by Assent’s benchmarking partner, Benchmarking for Performance (B4P) www.bforp.com

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**Efficiency versus effectiveness**

Some companies managed to achieve best-practice efficiencies, but this did not yield effectiveness.

For example:
- A sales rep achieves 13 calls per day on small stores. Yet brand trial in this channel remains flat. The call frequency and rep-productivity processes are evolved. But the category development processes have failed.

**“Are my people any good?”**

Process benchmarking firms show how talent and teams can flourish. Talent did not thrive in companies that had processes that were *under-developed*. Churn in low process firms, with people leaving because it’s “just too hard”, was prevalent.

So, while the benchmarking studies did not answer the question: “Are my people any good?” they did suggest how to optimise talent and teams. Furthermore, metrics were provided on headcount, workload and structure to confirm where companies were ineffective or inefficient due to their structure, people or … their processes.

**Hindsight bias**

A common prejudice and reaction to the study was: “we won’t learn anything new” or “we already knew that”. Hindsight bias is a phenomenon that can be observed and challenged. However, it was proven true that processes are, to a certain extent, common-sense.

The insights that arose from the benchmarking did tell the company where it was now, but also demonstrated what *good looks like*, how far away they were from *good* and how important it was for them to improve in specific areas.

**“Why can’t we fix this ourselves?”**

Companies generally addressed *under-performance* by focusing on a limited number of symptoms, perhaps via a project or KPI. Yet research in Figure 1 demonstrates 11 different symptoms or problems.

**Figure 1**

A project, or what one manager specifically needed to do to improve, was not something managers “already knew”. If it had been – they would have fixed the problem. If internal teams were trusted to fix problems, which they had partly created, they were unlikely to succeed.
Problem definition

The following table defines the macro processes identified as required to run FMCG Sales and Marketing functions, and the symptoms of under-developed processes. Where these symptoms recurred regularly and were seen to be caused by how the organisation works, rather than how one particular individual was impacting on the organisation, then there was a likelihood that the way of working (process) is not optimal.

<table>
<thead>
<tr>
<th>Macro Process Area</th>
<th>Where a process was <strong>under-developed:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Company strategy integrates with Sales and Marketing strategy</td>
<td>• Over-reliance on traditional brands to get growth via promotion</td>
</tr>
<tr>
<td></td>
<td>• Serial difficulties in hitting volume and value targets</td>
</tr>
<tr>
<td>2. Portfolio and brand strategies build on company strategy and drive major customer and channel/field activity</td>
<td>• High number of mature brands</td>
</tr>
<tr>
<td></td>
<td>• Low number of fast growth brands</td>
</tr>
<tr>
<td></td>
<td>• Absence of challenger brands</td>
</tr>
<tr>
<td></td>
<td>• Brand planning process/tool identifies few ownable growth opportunities (&lt;10 x per brand)</td>
</tr>
<tr>
<td>3. Consumer and shopper insight supports strategy development and delivers tracking and new learnings to drive competitive advantage monitors</td>
<td>• High-risk decisions made without research</td>
</tr>
<tr>
<td></td>
<td>• In excess of $500K spent on research, but not easily accessed, or can be ignored</td>
</tr>
<tr>
<td></td>
<td>• Absence of Brand Manager training in briefing, leveraging and evaluating research</td>
</tr>
<tr>
<td>4. Above-the-line (ATL) and below-the-line (BTL) reinforce and deliver marketing strategy</td>
<td>• Brand planning process lacks formal specific evaluation of each message and medium</td>
</tr>
<tr>
<td></td>
<td>• Absence of consumer disposition metrics – only volume and value in use</td>
</tr>
<tr>
<td>5. Category, shopper and point of purchase (POP) plans activate on strategy</td>
<td>• Function/department exists but has no distinct competencies; does not enable/provide more purchase occasions for improved average weight of purchase (AWOP)</td>
</tr>
<tr>
<td></td>
<td>• Function/department exists but does not produce anything</td>
</tr>
<tr>
<td></td>
<td>• Lack of incremental growth via POP activation</td>
</tr>
<tr>
<td>Macro Process Area</td>
<td>Where a process was under-developed:</td>
</tr>
<tr>
<td>--------------------</td>
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</tr>
</tbody>
</table>
| 6. Channel and customer/distributor Strategic and Operating Plans (S&OP) integrate regionally and align with business unit plans | ▪ >60% share in one channel  
▪ Reliance on <10 customers  
▪ Absence of direct supplier dialogue with consumer; retailer prevents or offers expensive opportunities |
| 7. Global and national customer management defends and enhances terms | ▪ Parallel importing possible by retailer  
▪ Risk of M&A by customers revealing different terms  
▪ Trading terms unaligned |
| 8. Customer engagement capability enables success (Account planning) | ▪ High number of reactive top-to-top meetings  
▪ Non-aligned businesses  
▪ Promotional spend not activating brands  
▪ Promotion design not creating trial |
| 9. Trading terms support strategic direction and drive the right outcomes | ▪ Promotions only manage to switch share  
▪ Ceilings not monitored  
▪ Main dialogue is about margins – not growth |
| 10. Supply chain delivers customer satisfaction | ▪ Customer satisfaction and hygiene factors too problematic to enable strategy conversations  
▪ Numerous roles contributing to forecasts – all care and no responsibility |
| 11. Sales and operations planning (S&OP) delivers customer satisfaction | ▪ Emperor’s new clothes; Field team will not tell Marketing team “It can’t be done”  
▪ No one senior stakeholder believes the program is achievable  
▪ Lack of clarity on how priorities will be 100% executed, or unsophisticated prioritisation (e.g. Gold, Silver, Bronze) |
| 12. Field sales effectiveness | ▪ All store calls use the same frequency, activity, call duration  
▪ Stores treated as distributors – not activation/communication/touch-points  
▪ Sales force automation absent; or in use, but not leveraged by Category Development team |
Existing solutions

Study participants tended to favour six ways to address performance improvement:

1. Restructures or hiring staff with relevant expertise.
2. Ad-hoc projects.
3. Key Performance Indicators.
4. Reaction to external (competitor, retailer, consumer) changes.
5. Incentives.
6. Reliance on an overseas parent or regional head office to provide them with expertise.

Each has its pros and cons.

### 1. Restructures or hiring staff

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium risk</td>
<td>Difficult to measure</td>
</tr>
<tr>
<td>Responds to environmental change</td>
<td>People churn, so new structures are often compromised or not given the chance to thrive</td>
</tr>
</tbody>
</table>

### 2. Ad-hoc projects

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low risk</td>
<td>One project area may improve while others, on which it depends, worsen</td>
</tr>
<tr>
<td>Low cost</td>
<td></td>
</tr>
</tbody>
</table>

### 3. Key Performance Indicators

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low risk</td>
<td>One person or team may not have skills</td>
</tr>
<tr>
<td>Low cost</td>
<td>Lack of external metrics or objectivity</td>
</tr>
</tbody>
</table>

### 4. Reaction to external changes

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low cost</td>
<td>Fails to provide competitive/first mover advantage</td>
</tr>
</tbody>
</table>

### 5. Incentives

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low cost</td>
<td>May create the wrong behaviour to achieve the outcome</td>
</tr>
<tr>
<td>Very low risk</td>
<td></td>
</tr>
</tbody>
</table>

### 6. Reliance on overseas parent

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low risk</td>
<td>Overseas initiatives are often not quite valid or relevant to the local market conditions, consumer or industry competitive structure</td>
</tr>
<tr>
<td>Low cost</td>
<td></td>
</tr>
</tbody>
</table>

Process benchmarking (the subject of this paper) has its own pros and cons:

<table>
<thead>
<tr>
<th>Pros</th>
<th>Cons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic – it builds a sustainable source of competitive advantage</td>
<td>Not the quickest fix</td>
</tr>
<tr>
<td>Measureable and correlated to business growth</td>
<td>Needs ideally Sales and Marketing to work on the benchmarking project together cross-functionally</td>
</tr>
<tr>
<td>Objective and external</td>
<td>Costs money as by definition it uses external resources</td>
</tr>
</tbody>
</table>
Process benchmarking as a solution

Duration
From kick-off to external validation takes 8-10 weeks.

1. Kick-off
A typical benchmarking project agrees the required outcomes and commercial deliverables before it starts. These typically fall into the following categories:

- Issues around the correct headcount and ways of working
- Problems with speed to market, or sales force efficiency
- Problems around major initiatives such as new product development
- Difficulties in hitting volume and value targets
- Poor planning processes
- Large execution gap.

However, a benchmarking project can do a general audit of effectiveness and efficiency, without having to focus on a particular area or brief.

The peer set of companies is agreed and, with respect to confidentiality, this can include direct and indirect competitors. This step handpicks the companies which each client wishes to be compared with and benchmarked against.

At this stage the balance of quantifiable performance indicators and qualitative performance indicators is agreed. This gives the size of the prize and the gap. Qualitative indicators give a deeper understanding of how to close that gap.

Some firms use this approach on only their company. They benchmark one company against another from their group.

2. Data collection – quantitative and qualitative
Typically around 20-30 metrics are used in a Sales and Marketing study, and depending on the area of focus, these can be drilled down and exploded into around about 5-10 sub-metrics for each of the major Sales and Marketing areas.

3. Focus and call to action
After data collection, it is important that the client gets the chance to discuss and interrogate the data collection team so that they can understand the fundamentals of the lack of performance, and gather verbatim quotes, and examples from their own company. Then the client team can compare that to the best practice examples from other companies.

4. External validation
Each contributing company in a benchmark study will (anonymously and under confidentiality*) contribute success stories, examples of how common problems have been solved, actual metrics of what describes good and anecdotes.

* If external companies. If it’s an internal study then confidentiality is not needed
5. How processes support and integrate

When debriefed, clients prioritised one of the 12 areas. However, to become best practice some other process areas also needed to be redesigned to improve.

Execution processes (left-hand side of Figure 2), did not deliver share gain unless strategy processes (right-hand side) are classed as “developing” (or mature).

For example:

- Clients often try to improve sales-force efficiency, by relaunching their S&OP process. However, the number and complexity of sales-force priorities cannot be addressed at that late executional stage. In fact, to have the optimum execution of priorities requires two other process areas to be somewhat developed: portfolio and brand strategies; and category plans.
6. Process focus areas in detail

How to read this table: Not all sub-processes, metrics, or “what does good look like” are shown, for brevity.

<table>
<thead>
<tr>
<th>Area of process</th>
<th>Sample of sub-process</th>
<th>Metrics</th>
<th>What does good look like?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Company strategy integrates with Sales and Marketing strategy</td>
<td>▪ Vision, mission, value timeframe allows for strategies to be developed and executed</td>
<td>▪ Incremental growth (not share steal)</td>
<td>▪ Majority (75%+) of activities are done in full, early in the cycle</td>
</tr>
<tr>
<td></td>
<td>▪ Investment/prioritisation processes use vision and mission as an input or guideline</td>
<td>▪ New users/consumers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>▪ New usage occasions</td>
<td>▪ New usage occasions</td>
<td></td>
</tr>
<tr>
<td>2 Portfolio and brand strategies build on company strategy and drive major customer and channel/field activity</td>
<td>▪ Integration with strategy; each plan maps with and executes business imperatives</td>
<td>▪ Ratio of old versus new products</td>
<td>The company can grow in three ways:</td>
</tr>
<tr>
<td></td>
<td>▪ Visibility; plans are shared with Sales and Business Development early and remain visible</td>
<td>▪ Ratio of NPD versus line extensions</td>
<td>▪ base-line</td>
</tr>
<tr>
<td></td>
<td>▪ Project management disciplines; used to answer: “How will we get there?”</td>
<td>▪ Number of new SKUs in new channels</td>
<td>▪ incrementally</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>▪ new users/usages</td>
</tr>
<tr>
<td>3 Consumer and shopper insight supports strategy development and delivers tracking and new learnings to drive competitive advantage monitors</td>
<td>▪ Integration with strategy is built via the situation audit and strategic planning process</td>
<td>▪ Number of projects with measured ROI</td>
<td>▪ Incremental growth</td>
</tr>
<tr>
<td></td>
<td>▪ Insight drives planning’s quantitative and qualitative analysis/situation audit</td>
<td>▪ Number of projects that drive incremental growth</td>
<td>▪ New usage occasion and consumers</td>
</tr>
<tr>
<td></td>
<td>▪ Emerging research techniques and measures reviewed on an as-needs basis</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Area of process</td>
<td>Sample of sub-process</td>
<td>Metrics</td>
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</tr>
<tr>
<td>-----------------</td>
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<td>--------------------------</td>
</tr>
</tbody>
</table>
| 4               | Above-the-line (ATL) and below-the-line (BTL) reinforce and deliver marketing strategy | - Communication activates strategies developed in plans, rather than only sales objectives  
- Awareness, trial, repeat, heavy user, referral objectives in use to drive choice of strategy, objective and goal  
- Close-outs and knowledge management ensure that objective is marked off or revisited | ROI for each phase of consumer disposition (awareness, trial, re-buy, repertoire, advocates) | A funnel of awareness-to-trial delivers the targeted market share |
| 5               | Category, shopper and point of purchase (POP) plans activate on strategy | - Brand objectives, guidelines and progress reports are used to prioritise  
- Category definition, strategy and planning is jointly developed with customer and aligned internally  
- POP vision, goals, learnings and successes integrate  
- Relevant stakeholders collaborate cross-functionally and engage with customers | Share gain and incremental growth from more product bought more often; more consumers in aisle/selection  
Number of research-based recommendations executed | Promotional investment grows brand equity leading to less switching/sustainable market share |
| 6               | Channel and customer/distributor strategic and operating plans (S&OP) integrate regionally and align with business unit plans | - Competitor activity consistently monitored, utilised and stored centrally  
- Customer strategies are understood and integrated into business unit plan development | Incremental growth  
New users  
New brand – consumer touchpoints  
Organised versus non-organised volume/value ratio | A balanced business with less reliance on one customer or one channel |
<table>
<thead>
<tr>
<th>Area of process</th>
<th>Sample of sub-process</th>
<th>Metrics</th>
<th>What does good look like?</th>
</tr>
</thead>
</table>
| 7               | Global and national customer management defends and enhances terms | Customer’s global, regional and local strategies and KPIs are understood and shared internally  
Global customer strategies are integrated in business unit strategic planning | 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 | Global products and categories are co-invented with retailers |
| 8               | Customer engagement capability enables success (Account planning) | Category and supplier attractiveness and profitability to customer is monitored and appraised  
Range reviews and other major events available internally on shared calendar  
Promotion plans are aligned with customer strategic plans and pre and post evaluated | 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 | An engaged customer who grows supplier share (when it suits them) and supports categories that deliver against business metrics |
| 9               | Trading terms support strategic direction and drive the right outcomes | Activity-based costing, brand margin and cost to serve drivers are known and measured  
Promotion terms and activities support the brand plans and business objectives  
Structured pricing and deals are based on brand goals and internal margin | Volume, value and profit  
Brand activation via promotion (awareness, trade, re-buy, repertoire, AWOP)  
Number of over and aboves | Activities get done that grow, differentiate and increase both sides’ profitability |
| 10              | Supply chain delivers customer satisfaction | The formal process plan, outcomes, goals and responsibilities are understood by stakeholders  
Forecast accuracy is measured and appraised | DIFOTAO  
Inventory pipeline  
Forecast accuracy | Absence of lost sales  
Incremental profitability |
<table>
<thead>
<tr>
<th>Area of process</th>
<th>Sample of sub-process</th>
<th>Metrics</th>
<th>What does good look like?</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Sales and operations planning (S&amp;OP) delivers customer satisfaction</td>
<td>Stakeholders strategy-to-cycle plans integration is driven by one prioritisation process and manager</td>
<td>Percentage of activities done in-store, in full, in first half of cycle</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cycle plan activities are graded with results recorded, appraised and shared</td>
<td>Call duration, call frequency, number of A, B, C, D stores called on per head</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Headcount – cost</td>
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<td></td>
<td></td>
<td></td>
<td>Number of management levels</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Percentage of activities done in-store, in full, in first half of cycle</td>
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<td></td>
<td>Headcount – cost</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Number of management levels</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>Field sales effectiveness</td>
<td>Priorities reviewed quarterly at strategic level and at each cycle plan; rollover possible</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tools; steps of the call</td>
<td>Number of SKUs taken above core range</td>
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<td></td>
<td></td>
<td></td>
<td>Number of over and aboves achieved</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Activation of trial objectives</td>
</tr>
</tbody>
</table>
Business benefits

Typical outcomes

Of the foregoing list of “What does good look like?” factors, the following were the most sought after in order of popularity.

1. Improved growth mix of incremental and base-line share gain
2. Increased speed to market
3. Leaner, more productive teams
4. Reduced number of execution gaps; lost execution decreasing from 37% to around 15%
5. Increased customer-centricity and engagement
6. Brands activated to build equity via Point of Purchase (POP) activation
7. Effective planning process
8. Improved Sales-Category-Customer ways of working

Summary

The “do nothing” option

A high number of FMCG companies, even in the top 42 firms, did not have dedicated performance improvement functions, or experts at regional or global level. The thinking in these companies is that managing the short term will work, and that performance improvement can either be sourced by hiring people, or will enter the organisation through the thinking and planning of its people.

The benchmarking process is therefore a viable way to pull in what good looks like, and ensure that the inputs are used in the development of all functional and strategic plans.

If this activity is not undertaken either annually or every two years, then there is no external input to the planning of various functions. Therefore Marketing Directors, Sales Directors, Customer Marketing Directors, New Product Development/R&D Departments, and the Supply Chain Directors will all consistently produce plans to get their numbers that repeat the previous year’s success. Or lack of success, as the case may be.

The “next year” option

There is never a good time for performance improvement. However, there is an annual window when knowledge of process strengths and weaknesses is key. It is when Sales, Marketing and Customer heads develop their strategic plans. If plans are built on a lack of knowledge as to what good looks like, they will deliver execution at lower levels, and targets/budgets will be missed.
Contact us

Please contact us to discuss how we can customise and tailor a study to your local market, competitive situation, retailers, channels and categories.

Each study that we do is specific to either the country, the category or the function (e.g. Marketing or Sales or Customer Marketing, or all three) and the companies in each study are selected based on the requirements of the individual client.

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