



# CHANGING PRIORITIES FOR SALES & DISTRIBUTION

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MAR 2020 // BY CALEB SHIREESH JACOBS



# PERFORM OR PERISH

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Globally, consumer goods companies are spending upwards of \$500 billion (annually), on trade promotional activities.

However, the sales & distribution landscape today is fraught with several challenges that these companies are grappling with. With shrinking shelf-space driven by changes in retail store formats, the rise of e-tail and the millennial shopper with evolving preferences, brands and shopping patterns - one does question how effective is this colossal amount of trade funds, in generating incremental revenues?

The old ways of working are being questioned and revamped as Heads of Sales/ Trade, CIOs and CFOs are planning ambitious and cutting edge 'Digital' initiatives to ride this trending wave sweeping the industry today.

How are consumer goods companies responding? What are their needs & challenges and how can they be overcome? We discuss some of these issues and how consumer goods companies are tackling them today.



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What's the  
**RESPONSE?**



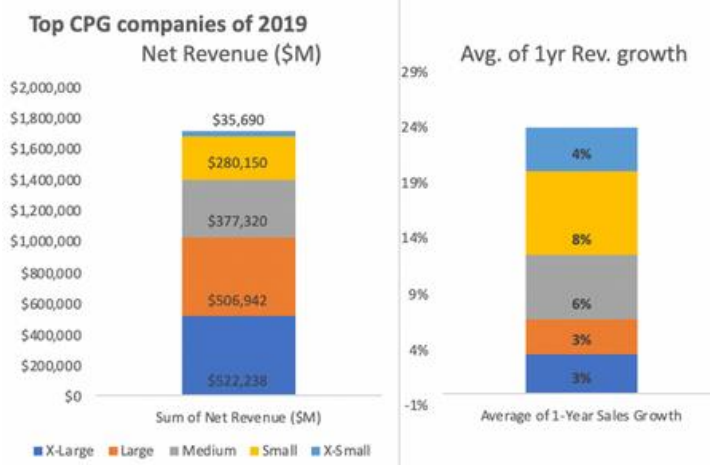
# CHANGING PRIORITIES

## Market shifts & channel strategies

Revenue growth is slowing, and channel strategies are under review as larger consumer goods companies are facing growth pressure with 3.2% to 3.5% average growth compared to smaller companies which are enjoying an average of up to 7.7% sales growth in 2019.

There is changing emphasis within channels as the convenience format becomes more dominant. Convenience stores which account for 18.7% of channel contribution to total sales, are growing faster than other formats at 39.6%.

Limited salesforce with the shifting emphasis in channels, needs sales/ trade marketing teams that are even more closely aligned with sales & distribution objectives and their dynamic strategies.



Source: consumergoods.com



Optimized trade  
**COVERAGE**

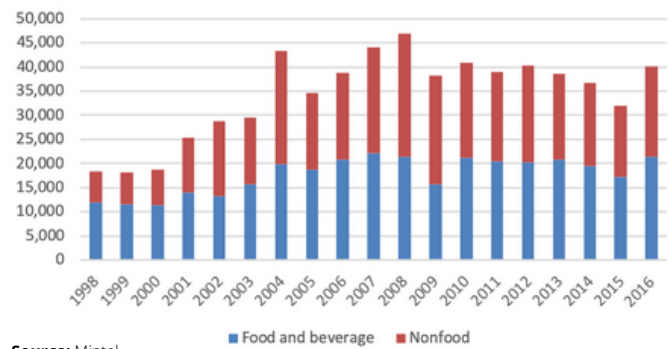
**Optimal & flexible trade coverage is key to ensuring a healthy distribution and maintaining or even improving market share**

# CHANGING PRIORITIES

## Brand proliferation amidst limited shelf-space

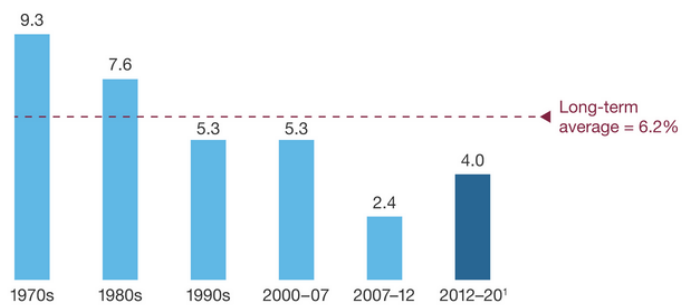
There has been a staggering increase in the number of brands & products hitting retail shelves. However, retail sales growth (4% from 2012-2020) is well below its long-term average of 6.2% and continues to decline, not keeping pace with the increase in the number new brand launches. Store assortment optimization is increasingly complex due to this rise in the number of products fighting for limited and shrinking retail shelf-space as retail formats change from big-box to more convenience outlets and overall retail sales growth declines.

New product introductions of consumer packaged goods - US



Source: Mintel

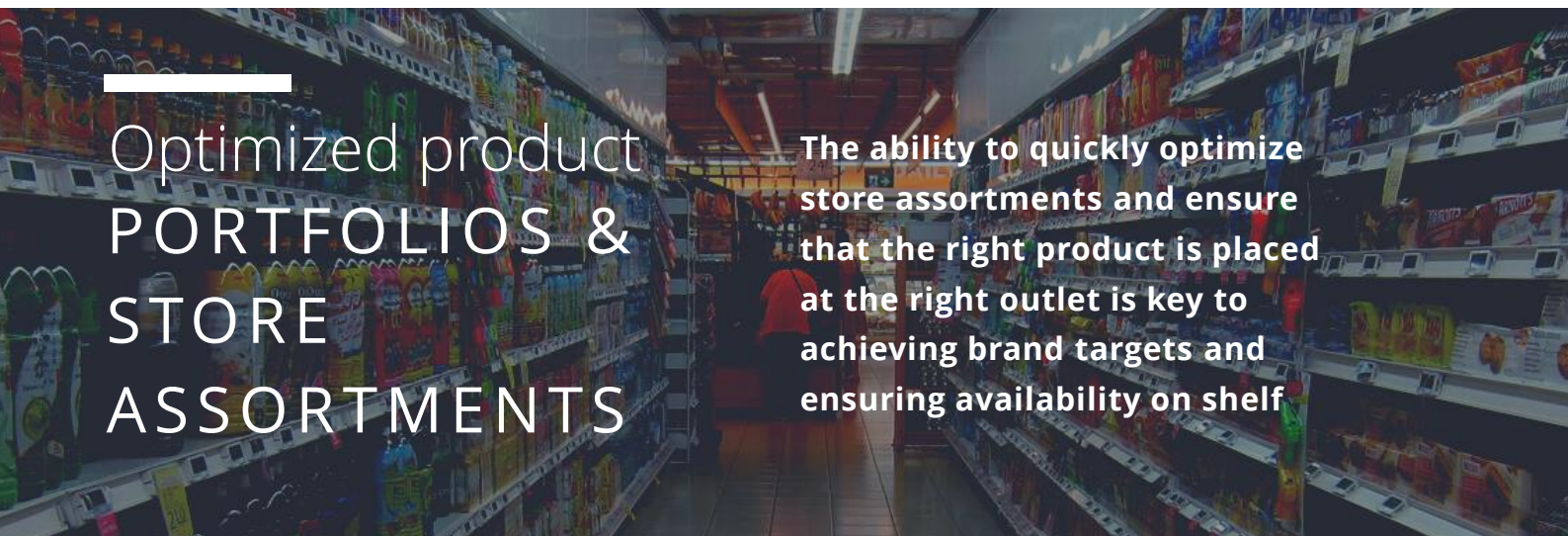
US retail-sales growth, compound annual growth rate (CAGR), %



<sup>1</sup>Estimated.  
Source: McKinsey

Optimized product  
**PORTFOLIOS &  
STORE  
ASSORTMENTS**

The ability to quickly optimize store assortments and ensure that the right product is placed at the right outlet is key to achieving brand targets and ensuring availability on shelf



# CHANGING PRIORITIES

## Fast & Flexible Planning

Sales & Distribution planning processes are tedious, data intensive, disconnected, slow to change and often don't allow enough flexibility for rapidly changing market conditions. Consumer goods companies are continuously faced with new innovative competitor products launches & price competitive private label products. In addition, consumers are more aware, less emotional & loyal and more easily change buying patterns. Increased regulatory and supply side constraints due to complex global supply chains impact customer service levels and product availability. This gives rise to the need for a fast & flexible planning capability.

## Single view of Consumer

While Sales & Distribution functions have remained structurally the same over the past few years, there is the rise of the Direct to Consumer channel, which has got Sales teams going back to the drawing board. There is a blurring of lines between Sales/ Trade Marketing & Consumer Marketing, as Promotion Planners are still grappling with sifting through new data sources acquired through owned/ 3rd party e-commerce platforms, market research/ surveys, social media interactions and mining consumer databases to better understand end-consumers and create a Consumer 360 degree view – the holy grail for a CPG company.



**In this fast-changing business environment there is a need for flexible and connected plans. Integrating store assortment plans, sales plans, in-store media plans, customer incentive plans and trade coverage plans is key for consumer goods companies to remain agile and respond to changing market conditions.**



# RECENT CLIENT CHALLENGES

Our recent client interactions reveal a slew of large scale, digital transformation initiatives being undertaken by the likes of a global consumer goods giant, a well-known non-alcoholic beverage company and a global beer company. Some of the key challenges they are trying to resolve are around:



1. Establishing Execution & Compliance driven organisations that are not always focused on business outcomes & value
2. Inefficiencies of disparate & disconnected processes (e.g. disconnected sales planning & O2C execution processes)
3. Varying skill levels and roles of sales reps, leading to complex & inefficient sales organisations
4. Lack of integrated omni-channel capabilities (Pre-sales, Prompt-Sales, Web-Sales, Tele-sales)
5. Global operations with a variety of transactional CRM & TPM applications leading to integration, execution & reporting challenges
6. Slower response times and lack of timely decision-making
7. High operating costs of complex, disparate and ageing on-premise sales & distribution IT applications
8. Dated IT applications lacking mobile & cloud integration

## Key IMPERATIVES

1. **Business value driven interventions**
2. **Fully integrated sales & distribution processes & systems**
3. **Integrated multi-channel capabilities**
4. **Universal Sales rep flexibility**
5. **Intelligence at the point of action**
6. **Higher performance, lower cost analytics platforms**

# THE NEW MANDATE

We see consumer goods companies scrambling to catch up by undertaking holistic digital transformation initiatives of sales & distribution functions. Their focus is typically around leveraging **connected & digitised processes**, **integrated plans** and **intelligence** at the point of action to transform these functions into competitive and effective modern route-to-market capabilities, with a truly connected salesforce enabled with continuous innovation, automation, intelligent decision-making and self-optimizing systems.

## Connected & Digitised Processes

- **Strategic review & alignment:** At the outset of any Sales transformation, companies typically re-assess their current Sales & Distribution strategic objectives, either in terms of sharpening their commercial models, establishing leadership in new categories or developing the salesforce and digitally enabling them. We are seeing a shift towards more performance driven objectives with clear goals around Product Distribution, Awareness, Trials, Number/ Duration of calls, Call Economics etc.
- **Benchmarking & Opportunity Assessment:** Benchmarks are identified either internally (process benchmarks, internal surveys) or externally (peer reviews, consulting agencies etc.) and opportunities are assessed at a local market level. Localised targets are then established for the purposes of benefit tracking.
- **Process redesign & change management:** Detailed Process design workshops are held around Sales Planning, Assortment Planning, Media Planning, Execution Planning, Customer Investment Planning, Retail Execution, Customer Collaboration etc. The involvement of the Product Owner and key business representatives across markets and representing different commercial/ route-to-market models are key to establishing a 'business buy-in' into the Digital Transformation program early on.



# THE NEW MANDATE

## Connected & Digitised Processes

### • **Process redesign & change management (continued):**

- L1, L2, L3 processes are clearly identified across the Sales organisation right from the Field-force to Back-office Planners and Senior Management. Details of process/ sub-process level activities, frequency, decisions, inputs, outputs, data sources etc. are established.
- Future state User Journeys & Individual User Stories are conceptualised along with key business stakeholders / end-market representatives, and details around Inputs, Outputs and the clear business benefit are identified upfront.

### • **Process automation:** Illustrative activities targeted for digitisation & automation could be around:

- Target allocations/ re-allocations where an Area Manager might re-allocate individual targets amongst his/ her Sales Reps in order to achieve monthly targets. This process which may have been previously tedious, manual and time-consuming is now being done on the fly using a mobile hand-held device and immediately communicated to the Sales Rep to execute.
- Retailer engagement activities which might include displaying promotional video content to show to a retailer, real-time configuration & processing of a retailer incentive such as increasing the credit limit/ credit period or offering an upfront discount (within boundaries).

## Integrated Plans

- **Complex Planning Models:** Sales & Distribution Planning can be broadly classified into Strategic Planning, Campaign Planning & Execution Planning. Strategic Planning is the optimal allocation of limited sales resources (Salesforce, Budgets for Media & Customer Incentives etc.) that is aligned to sales & distribution objectives while operating within the market constraints.





# THE NEW MANDATE

## Integrated Plans

- **Complex Planning Models (continued):** Sales & Distribution Planning is becoming increasingly complex with multiple components, objectives & constraints.
  - For example, let's take a Campaign level Trade Coverage Plan which may begin by:
    - Defining the various call types & its activities
    - Assessing the cycle time per activity
    - Identifying the frequency of call types for a given cluster of outlets
    - Finalising the 'bill of calls/ types' for a campaign
    - Defining a Sales/ Trade Marketing Rep capability matrix to map Rep types to Call types
    - Applying constraints around Salaries of Rep types, Overtime, Working hours, Maximum Rep capacities, Minimum service level requirements etc.
    - Applying optimisation algorithms to allocate the activities across calls & rep types at the lowest cost, given the various constraints
    - Finally, the call types are assigned to outlets, visits and then to individual reps
  - Spreadsheets do not suffice when a plan such as the one above needs to be modelled across 50+ countries and 20,000+ Sales Reps! Customisable, high performance Planning tools are needed to support such complex planning.
- **Connected Planning:** Sales Planning has largely been an operational exercise typically carried out on excel spreadsheets. Strategic Planning, Campaign Planning & Execution planning are seldom well connected. Changes to plans are tedious, time consuming to process and difficult to assess the impact on other related plans. For example, how is my Sales Plan impacted by a change in store assortment or in-store media touch-points deployed? What is the optimal credit limit or customer incentive to offer to achieve target sales? Consumer goods companies are building state-of-the art integrated planning solutions which not only integrate internally (within the Sales Function), but also integrate to Finance & Supply Chain functions as well.



# THE NEW MANDATE

## Intelligence

- **Diagnostic Intelligence:** Most consumer goods companies can comprehensively report on historical information which is typically in functional silos. They seldom have the diagnostic capability to connect the dots and link a decline in primary sales to declining trade promotion effectiveness or a non-seasonal spike in consumption resulting in increased shelf out-of-stock situations. We see a number of companies connecting both internal & external data sources to create a comprehensive diagnostic performance management model that enables quick-discovery of root-cause issues thereby enabling timely decision-making & interventions.
- **Fact-based decision making:** Sales Reps are now being armed with intelligence at the point of action to enable them to make the right decisions. For example, a Sales Rep might recommend an increased order quantity to a retailer/ group of retail outlets in a locality if he/ she is aware of an upcoming event/ concert which is likely to cause a spike in consumption in the coming week.
- **Predictive & Prescriptive Intelligence using Advanced Analytics:** Data Science is fast becoming a foundational capability to support decision-making across Sales functions. Some of the use cases being applied today are around forecasting out-of-stock & lost sales, assessing the probability of a retailer to enroll in an Incentive scheme, relevancy scoring of a product to an outlet, suggested ordering etc.
- **Sales Command Center:** Companies are establishing a Sales/ Trade intelligence hub to aggregate the multiple, disparate data scattered across the organization, create a single version of the truth and provide the Strategic & Tactical level teams a global view of Sales & Distribution, in real-time. The creation of a centralized repository to derive valuable insights and manage exceptions with quick interventions is fast becoming the norm, or what one might call the 'brilliant basics'.





# INTELLIGENT PLANNING & EXECUTION FOR TRADE

ITC Infotech has worked extensively with some of the world's largest consumer goods companies supporting their Sales & Distribution digital transformation journey over the years. We have extensive capabilities and accelerators in modernising Sales functions across Strategy, Planning, Execution & Monitoring. Our capabilities across the 3 pillars of **1) Connect & Digitised processes 2) Integrated Plans and 3) Intelligence** have proven tangible business benefits to our consumer goods clients. We have combined our experience into one comprehensive Sales transformation framework – Intelligent Planning & Execution for Trade.

## Connected & Digitised Processes

The ability to connect processes & sub-processes using a strategy execution framework to deliver a holistic Sales & Distribution capability, using leading CRM & TPM solutions that manage a global salesforce and provide them with actionable intelligence on mobile applications, that ultimately lead to maximising call effectiveness and efficiencies.

## Integrated Sales Planning

Our Integrated Sales Planning model seamlessly integrates with financial planning, demand planning and every aspect of operational planning. It is an Agile and flexible planning framework to accommodate any unforeseen aspects and accommodate adjustments. It is strategically aligned and chases one single global optima. For example, every participating function derives its objectives/ deliverables in congruence with the overarching global strategic objective. Yet, at the same time, trade offers are highly contextual and fully aligned with the issues and opportunities present in multiple outlets.

## Intelligence

Trade Marketing Command Center – Our solution framework to deliver precise & timely analytics to business, built on the foundation of a comprehensive & unified performance management model with centralized insight generation capabilities.



Smart  
TRADE

- 
1. **Connected & Digitised processes**
  2. **Integrated plans**
  3. **Intelligence**



## WHY INTELLIGENT PLANNING & EXECUTION FOR TRADE? – THE BOTTOM-LINE IMPACT!

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What's the business value? Is it worth it? What should be the target level of maturity? If these are some of the questions you are contemplating ahead of your investment into sales & distribution, then ITC Infotech can provide you with a no obligation assessment of your sales analytics maturity, process benchmarking, Implementation roadmap and an assessment of the value unlock potential.

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If you are thinking  
trade, think

**ITC INFOTECH**





**Caleb Shireesh Jacobs is a Big 4 Chartered Accountant with specific focus on Strategy Consulting, Planning & Analytics. With over 17+ years' experience, he has led and executed 50+ Consulting engagements across Enterprise Performance Management, Planning, Analytics, Digital Transformation, Big 4 Advisory, Financial Due Diligence and Audits of large multinational clients (\$5-\$50bn turnover) spanning multiple industries (Consumer goods, Manufacturing, Oil & Gas, IT and BPOs, Banking, Automotive, Agriculture and Poultry). Shireesh has led multiple Trade/ Sales Transformation engagements across US, UK and Europe, helping consumer goods companies manage, monitor and optimize trade marketing spend to generate superior revenue growth.**

#### **About ITC Infotech**

ITC Infotech is a leading global technology services and solutions provider, led by Business and Technology Consulting. ITC Infotech provides business-friendly solutions to help clients succeed and be future-ready, by seamlessly bringing together digital expertise, strong industry specific alliances and the unique ability to leverage deep domain expertise from ITC Group businesses. The company provides technology solutions and services to enterprises across industries such as Banking & Financial Services, Healthcare, Manufacturing, Consumer Goods, Travel and Hospitality, through a combination of traditional and newer business models, as a long-term sustainable partner. ITC Infotech is a fully-owned subsidiary of ITC Ltd, one of India's foremost private sector companies and a leading multi-business conglomerate.

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