Joint business planning
Collaborating with retailers to increase sales, profits and growth
Consumer buying attitudes are changing. Although the overall market demand remains stagnant, volumes are shifting from traditional to modern trade channels. With a proliferation of channels, consumers want the convenience of buying the right item at the right time regardless of the means of purchase—and value continues to remain uppermost in their minds.

Other consumer trends are taking hold; an increasing number of consumers are seeking green products and packaging. And brand loyalty is eroding as the number of private label purchases grows. Although a strong contingent continue to shop for leisure, many more consumers are making targeted purchases. Clearly, consumers are shopping across a variety of channels to suit their circumstances, special interests and wallets, making it more difficult for both retailers and consumer packaged goods (CPG) companies to predict consumer needs and behavior.

To cope with these changes, retailers and CPG companies have increased investments in trade initiatives and efficiently optimized trade spend. Yet the benefits these tactics can bring are limited if each company looks at its own sales and revenue results in isolation. Accenture believes that if retailers and CPG manufacturers are to achieve high performance in the new consumer landscape, they must redefine the rules of the game, forming an integrated view of the opportunities and challenges before them and pushing the boundaries of collaboration to unprecedented levels. The first step in doing so is to work together at the strategic business planning stage to put the consumer at the center of their business, get closer to buyers and attain greater knowledge of consumer behavior.
Creating common ground to seize mutually beneficial opportunities
Despite the proliferation of channels, retailers still hold significant power as market influencers, controlling most consumer interactions and defining the rules of engagement. Because they execute the placement, amount and appearance of products in the store, retailers can decide how to allocate shelf space—and give their private label products center stage. Their power in executing in-store marketing and optimizing shelf assortment at the point of sale forces CPG manufacturers to adapt to retailers’ needs—rather than consumers’ needs.

Retailers’ enduring hold over the consumer makes it essential for CPG companies to continue to cultivate this important relationship. But CPG companies have the leverage to step up collaboration at large, strategic retail accounts. Promotions, payment terms, product quantity, product assortment and product placement are all levers that can be used in investment negotiations to initiate joint business planning.

With consumer packaged goods competition at retailers growing, CPG companies need to get more strategic, predictive and proactive to ensure that they are spending their financial and time investments wisely. By conducting joint business planning, CPG manufacturers can better understand retailers’ growth strategy and recommend appropriate products, promotions and other investments that will help them achieve that strategy. Joint business planning is not about increasing investments—it’s about making better investments to improve returns. Together, the partner companies can make more informed and targeted investments to drive growth, rather than pursue separate initiatives that are unaligned to each of their strategic goals. CPG companies can strengthen their relationship with priority client accounts by helping to drive retail sales and further retailers’ strategies.

Furthermore, CPG companies can capitalize on retailers’ commercial analytics to maximize the mutual benefits they can achieve through joint business planning. By combining retailers’ point of sale insights with CPG manufacturers’ product growth and development engine, both parties can better deliver on consumer expectations and increase loyalty. This will enable both companies to concentrate on key areas to drive sales and margins, using point of sale data and analytics to determine the right marketing, sales and innovation investments using more predictable information.

By increasing collaboration, retailers and CPG companies can define mutually beneficial strategies that drive growth and increase actionable consumer insights. Together, retailers and CPG companies can tackle persistent business challenges in inventory, product development, placement, promotional investments and assortment to gain more volume and profits—while better serving the shopper with the desired products at a competitive price and the right margins.
Getting started: Deepening and transforming the partnership paradigm with key retailers
To make joint business planning work, the partners must initiate a new relationship and business model paradigm. The new paradigm brings the partners even closer together to align their goals and identify mutually beneficial opportunities during annual negotiations, trade term agreements and monthly account planning. In addition, joint business planning necessitates an evolution of the traditional negotiation approach. To work harmoniously, partners need to incorporate a new collaborative commercial vision based on three important steps that establish common ground:

1. Create a starting point, based on sharing objectives within the account, that aligns corporate strategy to the account plans and investment requirements

2. Develop a jointly aligned shopper-based plan to identify how best to invest in trade initiatives to maximize returns for both parties

3. Establish ongoing, joint reviews of the plan's outcomes as it is executed to ensure that both sides achieve the mutually agreed business benefits, prevent and address hiccups, take necessary corrective actions, and remain reactive to changing market conditions

Meeting these goals, however, requires a change in mindset for the partnering companies involving:

• Greater listening and understanding on both sides

• Increased trust among parties

• More transparency and visibility into each other's business

• Progressive sharing of plans

• Joint ownership responsibility to work on common goals to achieve better outcomes and share business benefits

Once the partnering companies have established common ground, they can create and agree on a mutually beneficial joint business plan. The plan should support a collaborative value proposition based on their go-to-market engagement plans while generating a financial report that enables timely management intervention and performance optimization (see Figure 1). CPG manufacturers and retailers should begin to establish a solid partnership based on a 12-to-18-month strategic plan that is regularly reviewed and updated to help them get aligned on brand and channel marketing, as well as react to market changes as they evolve. The plan will also ensure that the proper actions and investments are put in place to drive growth for both parties.
The joint business plan process can be broken into three distinct phases:

**Company and account strategic planning**

The starting point for joint business planning entails a deep analysis of underlying market trends to determine which commercial areas the CPG company should collaborate on with partners. Combined with market segmentation analysis, the CPG company can obtain a better idea of key retail partners’ market positioning and shopper base to identify potential collaboration partners.

Once the CPG company has identified potential collaboration partners from its portfolio of retailers, it should then pursue a deeper understanding of the strategy, vision and objectives of the targeted retail partners—and identify the implications for its business. As a result, CPG companies will need to understand top-line information related to the retailers’ business structure (e.g., group structure, store portfolio), strategy, company development (overall sales, category sales, company sales to the account) and shopper base. The initial planning process also involves understanding retailers’ profits and losses, value-chain drivers and key performance indicators, as well as recognizing the decision-makers and their incentives. By taking this approach, the CPG company is able to put itself in the retailers’ shoes and focus on their main business drivers.

By analyzing the attractiveness of the targeted retail accounts and their performance, CPG companies can then define the extent of collaboration required to meet their end goals and determine investment needs. Once the joint business planning customers are selected, the CPG company can create a joint strategic plan with partners for the next 12-18 months based on common targets and goals. The plan should translate the partners’ account, brand and channel strategies into financial and non-financial objectives.

To develop the plan, the partners should define and agree to the targets in terms of investments, sales and revenues. At the same time, they will need to plan from the bottom up to ensure that the targets—while ambitious—are also realistic. The bottom-up validation identifies the promotional (e.g. cut-price, shelf-space) and non-promotional (e.g. payment terms, logistic discounts) business levers that can be used to achieve volume, margin and profit targets. The operational levers translate the retailer’s strategy into specific activities and identify areas of potential collaboration for agreement.

**Scenario modeling and negotiation activities**

In the scenario modeling phase, the manufacturer and retailer share their views on how they want to work together, define common goals and negotiate concrete activities. Different scenarios can be developed in order to evaluate the impact (volume and value results, customer and company commercial results and margins, trade promotion return on investment, resource allocation, and spend optimization) on a variety of collaborative plans. After the modeling takes place, the collaborative partners can agree on activities, financial and non-financial targets, relevant key performance indicators, timing and responsibilities.

**Execution, alignment and analysis**

Securing commitment from both sides to agreed performance objectives, the joint action plan and a supply of adequate resources throughout the year are crucial to making the joint business planning activities a success. All levers and planning elements agreed upon during the previous phases should be reflected in both partners’ profit and loss statements and tracked to ensure that their volume and value goals, investment levels, and other operational key performance indicators (KPI) are being met.

Similarly, both parties will need to feed the tracked data into the planning process so both parties can make any necessary adjustments and redirect investment into better performing areas. For instance, during a review meeting, the key account manager and retail buyer can analyze the performance against the plan to pinpoint underperforming initiatives. If, say, a new product launch is underperforming while consolidated products are achieving higher than expected results, the key account manager and retail buyer may decide to redirect part of the promotional investment to boost new product sales.

A highly effective joint business plan must be supported by an enriched, comprehensive view of the joint commercial profit and loss data, including brand and category classification, on-shelf prices, sell-out data and other retailer-specific KPI. Having the right data at their fingertips will enable executives from partner companies to track ongoing performance.
Cutting-edge technology will be a key enabler in providing the right data at the right time. With joint business planning, traditional forecasting and reporting tools are insufficient to capture and integrate information from both partner companies. New technology takes these tools a step further, enmeshing the data from both companies to allow partners full visibility into joint data so they can monitor mutually agreed KPI.

A handful of companies have already harnessed such technology to support their joint business planning initiatives. A leading CPG company, for instance, has recently implemented a dashboard and collaboration tool to share its relevant joint business planning KPI with key retailers. The capability is fully automated and allows a frequent and prompt review of the business results on an ongoing basis. By consulting the dashboard and tool, both partners can assess when they may need to meet and, if necessary, adjust plans.
Benefits of a joint business planning relationship

The more closely aligned and targeted the planning, the easier the execution and monitoring and the better the results and insights. Joint business planning offers a number of tangible and intangible benefits that impact retailers' and CPG companies' business performance.

**Intangible benefits**

**Increased transparency and visibility of business:** One of the initial benefits that can be achieved is enhanced knowledge of and insight into the business courtesy of accessing information that would not be available to both parties without joint business planning.

**Increased trust and better relationships:** By working closely on common objectives in a more transparent way, collaborative partners can establish a more solid relationship based on trust.

**Joint plan ownership responsibility:** Creating a plan built upon joint decisions will help increase the accountability and commitment on both sides during the execution and ongoing reviews of the plan.

**Shift from data reconciliation to analysis and strategy execution:** More valuable employee time can be spent on data analysis instead of data reconciliation since the CPG company's product data will be more closely aligned with the retailer's product view in a joint plan.

**Tangible benefits (see Figure 2)**

**Joint event development:** Possibility to develop and negotiate ad hoc events involving retailer's products to achieve higher profits (e.g., co-marketing activities). For instance, partners can organize joint promotions that pair the CPG manufacturer's branded products with the retailer's non-competing private label products. For example, they can offer branded beer and private label potato chips in the lead up to a major sporting event.

**Increasing planning effectiveness of innovation launches:** Sharing CPG companies' innovation plans with strategic retail partners can allow both partners to speedily launch products, new packaging or other initiatives to maximize success and return on investment. More collaborative planning in product innovation can even help both companies maximize sales by introducing new packaging sizes, for example, to improve assortment.

**Improved responsiveness to opportunities:** More informed business planning can enable business partners to identify high-potential market opportunities. Paired with the continuous tracking of results, both retailers and CPG companies will be able to react to evolving consumer behavior in a timely fashion.

**Increased sales forecasting accuracy:** By leveraging information (e.g., point of sales data) and insights (e.g., consumer behavior) gathered during joint business planning activities with retail partners, CPG companies will be in the position to define a more accurate sales forecast.

**Optimized use of trade spending levers:** By analyzing historical results, CPG companies and retailers can identify the most profitable trade spending levers and related initiatives. The resulting data can also help the partners identify how they can capitalize on anticipated point of sale and consumer trends.

**Out of stock reduction:** By obtaining a more accurate view of ongoing joint promotional activities, retailers and CPG companies can gain more control on out-of-stock items and reduce sales losses.
CPG companies already foster deep relationships with their strategic retail partners; joint business planning embeds a structured approach that can help both parties expand that relationship beyond traditional means and achieve their ultimate goals—improved sales, profit margins and market growth. It is imperative, however, that if CPG manufacturers and their retail partners pursue joint business planning, they make it part of the commercial culture of both organizations. Both processes and data must be aligned to enhance business performance.

Joint business planning enables retailers and CPG companies to gain a greater understanding of each other’s strategies so they can maximize their market impact using minimal investment. With greater insight into commercial and point of sale data, joint business planning enables retailers and manufacturers to attain a holistic view of the consumer’s needs and desires as well as alter their trade investment, inventory, product development, placement, and assortment to improve business performance. As a result, consumers will get more of the products they want and need at the best price.

Figure 2. Joint business planning: Tangible benefits

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<thead>
<tr>
<th>Sales &amp; Operating Margin</th>
<th>Joint Events</th>
<th>Innovation</th>
<th>Incremental Opportunities</th>
<th>Accuracy</th>
<th>Trade Spend Optimization</th>
<th>Out of Stock</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Develop events involving retailers’ products</td>
<td>Increase effectiveness of product innovation launches</td>
<td>Improve responsiveness to opportunities</td>
<td>Increase sales forecasting accuracy</td>
<td>Increased sales due to an optimized use of all trade spending levers</td>
<td>Reduction of sales losses due to a more accurate control of ongoing activities</td>
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For more information on how Accenture can help your company use joint business planning to achieve high performance, please contact:

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