STUDY

Connecting the dots to create 'ideal' stores

Drive growth with profitable in-store execution

- Rafee Tarafdar & Alastair Birt

Executive Summary

Vice Presidents (VP) of Sales in Consumer Packaged Goods (CPG) companies continue to drive growth in developed and developing markets by leveraging multiple levers. Based on our experience in working with global CPG companies, retail execution is one of the key brand performance differentiators to drive sales, improve sales force productivity, and convert more stores into 'ideal' stores. However, CPG companies are facing inefficiencies in their retail execution processes or reaching the end-of-shelf life of their current IT solutions enabling retail execution.

Hence, we believe that Sales leaders need to relook their retail execution strategy to define the retail execution objectives/Key Performance Indicators (KPIs), formulate a comprehensive plan, and execute well in the field. They need to measure execution effectiveness enabled by globally scalable and flexible IT solutions. This ensures an efficient and closed-loop retail execution process to maximise returns on their retail execution spend.

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The CPG Landscape: Ground Reality

CPG companies are continuously striving to grow their consumer base and achieve higher sales growth amidst stiff competition. CPGs with well-defined retail execution processes supported by a robust, flexible enterprise solution have an edge over their peers who are running archaic or local systems to drive sales growth across categories/brands.

To win or sustain the competitive advantage, as a sales leader, you need to enable the following in retail execution:

- Standardise retail execution Key Performance Indicators (KPIs) and the associated business processes/ capabilities with the flexibility to localise execution
- Define and implement a flexible, scalable and modular solution that harnesses richer handheld device capabilities
- Establish a measurement-based culture to measure retail execution effectiveness

With these in mind, CPGs must develop, adopt and implement a retail execution strategy that helps place their products on the right shelves quickly and efficiently.

At the same time, companies must improve sales force productivity and equip them with the required infrastructure to capitalize on sales opportunities.

Four stages for successful Retail Execution

- Define
- Plan
- Execute
- Measure

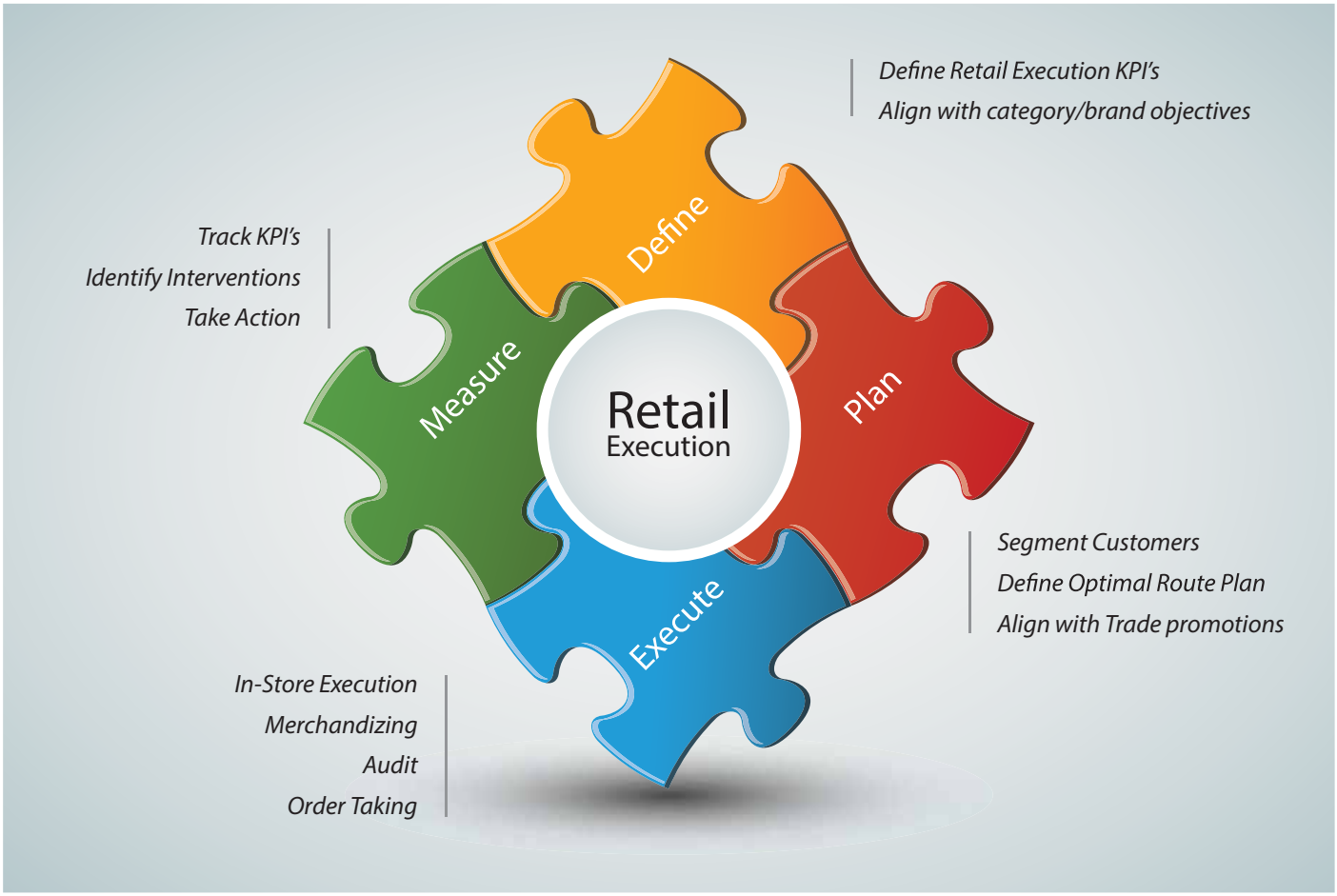

Figure 1: Four stages of the retail execution process

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Define your Strategy

The strategy planning exercise should be an inclusive and collaborative process to bring in perspectives from sales heads, field sales, marketing, brand managers, etc., who will be responsible for executing the strategy.

Your retail execution strategy should clearly define:

Category/Brand Objectives: The category, brand and channel objectives should be mapped and translated into the retail execution objectives to ensure that in-store execution activities are planned to achieve these objectives.

KPIs: Identify and define retail execution specific KPIs that drive success in the marketplace. In our experience, these KPIs are typically defined around On-Shelf Product Availability, New Product Introduction, In-store Compliance on Key Promotions, Share of Shelf versus Category Target, Shelf Planogram Compliance, Product POS in place and delivering the correct calls-to- action to drive shopper purchase. Though the KPIs are defined globally, it is important to allow a certain degree of flexibility for local markets to take into account market maturity, store types and regulatory considerations.

Prioritization of KPIs: Once you have identified KPIs, the next step is to prioritize these KPIs. Although all of them are important, you will still need to assess which KPIs are most critical for executing first.

Transition: During the strategy definition phase, setting the context for transitioning to the new paradigm from the "way things always were" is a significant challenge. The sales force needs to be prepared to embrace the new retail execution strategy and adhere to the new set of KPIs.

> *"According to a Quofore/Booz survey done in 2010, amongst the CPG companies, more than 63% of the respondents were not sure if their in-store execution initiatives gave them adequate ROI. Also inconsistency in measuring ROI was observed across programs"*[1]

Plan for executing your strategy

After clearly defining your strategy, it's important to define a comprehensive and executable plan. A well thought-out plan is half the battle won in retail execution.

Store Segmentation: During the planning exercise, it is important to do the customer/store segmentation analysis based on measures such as sale volumes and market share, among others, to determine the right stores to focus on during the execution. The store segmentation impacts how frequently the Sales Representative(SR) visits each store and how long the SR spends with each category to "maximise all opportunities" against competition.

Trade Promotions Management (TPM) Integration: Your plan must include and integrate applicable promotions and guidelines to be followed during in-store execution. This integration will give a unified view of trade promotion objectives vis-a-vis the overall retail execution objectives. This ensures that execution and monitoring are synchronized, and that promotional objectives are achieved as desired.

Efficient Route Plan: An optimal sales route plan should be defined with the senior sales representatives focusing on high value activities (like order taking, sales etc..) and the junior sales representatives focusing on low value activities (like audit, restock, merchandising etc.).

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Prioritisation: During planning, it is also necessary to take into account factors such as sales cycle priorities. Your planning must take cognizance of conflicting priorities between sales and marketing and ensure that your plan accounts for all such eventualities.

"As per a Quofore/Booz survey done in 2010, most of the CPG companies embarking on Retail execution journey are focussing on process and system improvements in route optimization, customer profiling and tracking"

Execute your Strategy

While a flawless strategy and plan are critical components, what really tilts the scales is the actual execution of the strategy. Some of these considerations are:

Role-based Execution: Depending upon the role of the sales force (sales representative, merchandiser, auditor, etc.) and the route plan, the activities should automatically be determined for in-store execution.

Better Information: The Sales Representatives (SRs) should review and analyse store performance before starting the call. Information about various products, pricing, promotions, discounts, and stores should be organized intuitively with the ability to view historical trending to identify opportunities by field sales. Integrating Point-of-Sale information will help better monitor each store's performance against set KPIs. This will help the sales agents conduct data-based conversations with store owners.

Collaboration: Enabling a highly collaborative framework is another key cornerstone of your retail execution success. The framework must facilitate collaboration within the company through multiple channels such as email or chat for quick exchange of information. Field personnel should be able to quickly consult their account managers or the brand managers on finer aspects of an account in real time to drive successful outcomes in every sales visit.

Competition: Another key driver is the ability to capture and share competitor information – such as their recent promotions, pricing and new schemes – to quickly devise your game plan to counter these. Advances in image visualization technology could be used to automatically determine competition's share of shelf space etc.

Dealing with Complexity: Your retail execution application must be geared to handle multiple levels of complexity with regard to pricing, promotional schemes, events, diverse geographies and so on. For example, in emerging markets, pricing is not uniform. There are multiple price lists across stores and locations, and this needs to be effectively handled without creating confusion. There should be flexibility to handle this kind of complexity.

Do More with Handheld Devices: The handheld solution used by the SRs should support in-store execution activities (merchandizing, audit, order taking, etc.) in an intuitive and productive manner. When used with an attached scanner, inbuilt GPS and camera, the SRs will be able to do most of their activities with one device.

"As per Consumer product executive survey 2011, sales force capability and clear channel strategies are most important to improve the field force effectiveness."

Measure the Success of your Retail Execution

Once your retail execution is under way, you need to establish regular milestones to measure the performance against set KPIs.

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Monitor In-store Execution Effectiveness: The information gathered during the in-store execution activities, third-party audit, shipments and primary, secondary and tertiary sales should be consolidated, normalized and analysed to measure the progress against KPIs. This information should be made available to SRs and Key Account Managers to influence and change the net result, such as, contribution made by each store in the sales cycle.

Trend Analysis and Insights: The information gathered needs to be used intelligently to analyse the performance of the stores against their respective KPIs. It can be leveraged to identify trends or gaps, ascertain critical business events like out-of-stock issues, sell more to achieve targets, focus on promotions requiring the SR to undertake special activities, among others.

Interventions: Based on the trends, gaps and insights generated, interventions need to be identified and executed proactively rather than reactively.

Performance measurement and benchmarking is an activity that spans the entire retail execution life cycle. Based on performance monitoring, course correction may need to be effected in the overall strategy or planning, or execution stage.

Key Points to Consider while implementing Your Retail Execution Solution

Your strategy, plan, and execution have to take into account several key points from an architecture/IT solution perspective.

Affordable Solution: A global retail execution solution has to be rolled out across both developed and developing markets and ensure that the chosen solution is affordable.

Flexible & Scalable Solution: The solution should be flexible to support multiple country rollouts and multiple field roles/ activities with the ability to switch on/off functionality and support multiple devices/ platforms.

Prioritization of KPIs: The solution should help SRs prioritize the time spent in-store, what they do and when they do it (often products are seasonal, and campaigns have relative importance across the year).

Handheld Solution: The Handheld solution needs to be device- and platform-agnostic with a very intuitive customer experience. For a large CPG company, there are be thousands of handheld users in the field and hence you would need a very robust troubleshooting system in place to support large field user base.

Offline Capability: The Handheld solution should have both online and offline capabilities. If for some reason, field representatives do not have internet access, they must be able to retrieve existing data and perform critical field sales activities (audit, order capture, etc.)

Content Management: A strong content management strategy is required to handle all the different types of content that your sales force needs to deal with. A sales representative on the field may have access to high quality demos or videos from the master system at a store.

Reporting: The system must provide excellent reporting capabilities for Sales director, Key Account Managers and SRs to analyse all the information and draw valuable actionable insights.

Performance and Scalability: This is the most critical aspect of your solution. The solution should have zero downtime and be able to scale to support any number of users and high volume of data. Bandwidth is another area that needs careful attention. You should consider ways to augment their access speed or make content available in easy to access formats.

Organisation Change Management (OCM): Introducing new processes and technology demands training at all levels and positions in the value chain. This requires assessment of the current capabilities and how you want to do things differently. The goal is to use the same mobility platform as a mechanism for the Area Sales managers to evaluate, train and monitor SR's performance in the field.

Business Benefits of a Retail Execution Program

Ultimately, a significant investment in a complex retail execution strategy must yield short and long-term business benefits. Based on your business objectives and KPIs, the benefits that would most impact your business need to be defined by you. However, here are some benefits that you could expect:

- Incremental uplift in sales, profitability and market share
- Improved in-store goods availability and sales
- Improved promotional effectiveness
- Improved Stock-Keeping-Unit distribution and increased rate of new product distribution
- Better visibility into store conditions, competition, compliance, and pricing
- Improved field sales productivity

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Conclusion

For CPGs, a clearly thought-out, planned and executed retail execution strategy is a sure-fire differentiator in today's fiercely competitive market place. While implementing your retail execution strategy it is important to take into account the considerations discussed in this thought paper. A right retail execution strategy and implementation will empower your sales force with the right information at the right time, and consumers with the right product at the right time.

Author Profiles

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Rafee is an AVP and Principal Architect in the Retail and Consumer Packaged Goods unit of Infosys. He brings over 15 years of Information Technology experience with most of it in Consumer Packed Goods (CPG) and Retail organisations. At Infosys, he has lead solution definition, tool evaluation and implementation in areas such as Retail Execution, Distributor Management, Customer Relationship Management, Digital Marketing and Multi-Channel Retailing for Global 2000 companies. He has also helped global CPG companies to define their enterprise architecture for the sales & distribution function. Rafee is passionate about leveraging emerging and disruptive technologies to enable and solve business problems in Marketing, Sales and Distribution areas.

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Alastair is a Principal in the Retail and Consumer Packaged Goods unit of Infosys. He brings over 16 years of Consumer Packed Goods, Retail and consulting experience. He joined Infosys after spending the initial years of his career with one of the Big 3 Consulting firms, working for specialist Retail and Digital Marketing companies.

At Infosys, he has managed business transformation and mobility programs in Retail Execution for Global 2000 CPG companies. Alastair is passionate about ensuring that his clients continually drive innovation and collaboration across the enterprise.

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