



SAP INSIGHT



# INTEGRATED SALES AND MARKETING FOR CONSUMER PRODUCTS COMPANIES

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# **INTEGRATED SALES AND MARKETING FOR CONSUMER PRODUCTS COMPANIES**

by Gary Adams and Mark Panley



# EXECUTIVE AGENDA

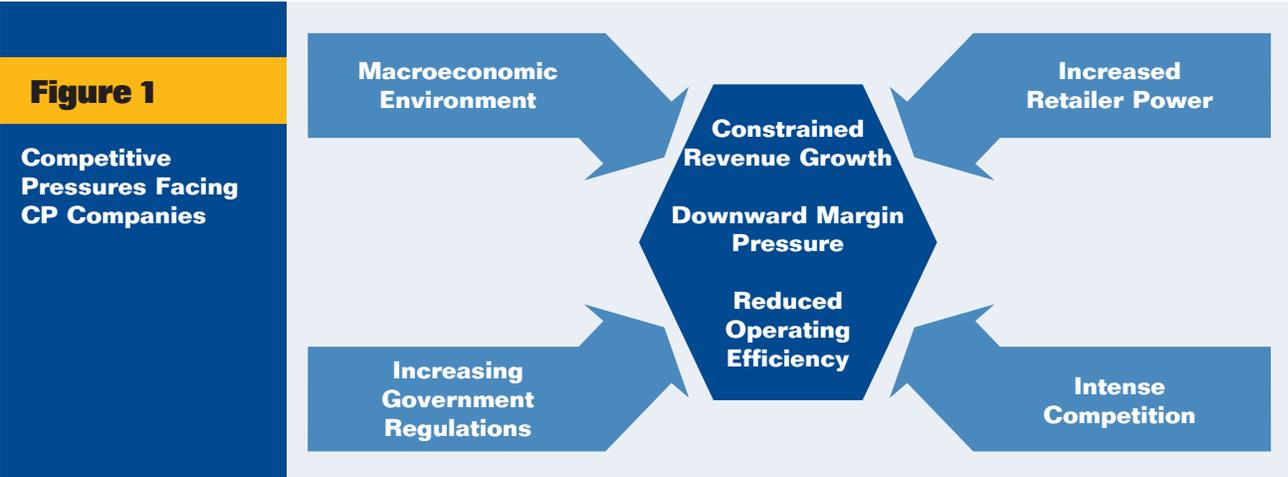
Never before has the consumer products (CP) marketplace been so competitive. Persistently low growth is exacerbated by unparalleled consumer choice. Retailers flex their increasing power to squeeze CP companies into relinquishing control over pricing, promotions, and point-of-sale interactions. Intense product competition, resulting in a proliferation of SKUs, compromises CP organizations’ ability to operate efficiently. Furthermore, the investments and resources required to address escalating government regulations as well as bioterrorism and food safety concerns are intensifying the downward pressure on margins.

In the face of these unrelenting pressures, executives struggle to identify and execute the critical path to profitable growth. Unfortunately, most CP leaders are bandwidth- and resource-constrained, hamstrung by a lack of actionable market intelligence. Without clear visibility into all aspects of the enterprise, its suppliers, and customers, CP companies cannot ensure that brand strategies are executed efficiently and responsively down to the shelf level. Absent this data, executives are unable to assess performance against these strategies, identify and analyze options for shaping product demand, or make and act on fact-based decisions.

To overcome these obstacles, CP executives need to create a holistic, closed-loop framework that incorporates all elements of traditional sales and marketing processes: an integrated sales and marketing (ISM) approach. Unlike typical “siloes” efforts, in which sales and marketing work independently, this approach integrates the execution of all sales and marketing operations across the extended enterprise.

An ISM approach combines existing technology such as enterprise resource planning and customer relationship management with capabilities such as dynamic sales and operations planning, global data synchronization, point-of-sale-based advanced analytics, integrated trade promotions management, multitiered collaboration and shared scorecards, brand management, retail execution, and category management. As a result, ISM provides real-time visibility, collaboration, and analysis, benefiting every player in the supply chain – including manufacturers, suppliers, retailers, and consumers.

This *SAP Insight* explores the current challenges of the CP industry, describes how an ISM approach can help CP companies create new value by supporting profitable growth, and discusses steps executives must take to launch an ISM initiative.



## HOW ISOLATION IMPEDES INTEGRATION

For most CP companies, sales and marketing are two different sets of independent processes. Despite any claims of collaboration or integration, these departments still work in relative silos: they lack process integration and design; use different sets of information from sources with questionable accuracy, completeness, and consistency; and can only rarely identify “one version of the truth.” And the silo effect is not limited to sales and marketing: these groups also suffer from poor integration and collaboration with retailers, supply chain partners, and finance.

The implications of this disjointedness are significant and include:

- **Process inefficiencies and redundancies** – Poorly designed and executed processes keep organizations from capturing key lessons learned and creating best practices, limiting the ability to grow efficiently and drive profitability.
- **Inability to measure true profitability** – Incomplete views of customer, product, and corporate profitability limit the ability to take appropriate action, especially in a critical area such as trade promotions. Truly effective trade promotions require a combination of fact-based planning and timely, responsive tracking of performance.

- **Inconsistent alignment toward activities and goals** – Lack of process integration and data sharing hampers synchronization of activities, particularly in upstream and downstream processes, and compromises the ability of individuals and departments to contribute positively to overall corporate goals.
- **Lack of insight and responsiveness** – Missing and delayed information prevents companies from changing course, innovating, or driving new opportunities dynamically and nimbly – critical abilities in the current CP market.

Although there are business systems designed to automate sales and marketing, most are reactive, not predictive. Moreover, these systems tend to compound process inefficiencies. CP companies with these systems may want to use analytics to anticipate and respond to business change, but more often they find themselves simply receiving historical information after the fact. Furthermore, many legacy or point solutions were designed to manage only a fraction of the processes inherent in today’s CP operations.

CP organizations determined to succeed in today’s marketplace clearly need a new strategy for sales and marketing: an integrated approach.



# THE VALUE OF ISM

ISM is a closed-loop process that ties all sales and marketing activities to a single common plan. This process integrates the execution of all sales and marketing operations across the extended enterprise, while linking with back-office and value chain software such as enterprise resource planning, financials, customer relationship management, and supply chain management. It also provides an end-to-end set of solutions for sales and marketing that deliver both a process and functional view of operations.

Integration is facilitated by sophisticated business systems that standardize the methods used by all corporate entities to identify, track, predict, and invoice various sales and marketing operations. These systems also synchronize data that is exchanged both within the organization and throughout the enterprise ecosystem. Synchronization enhances the efficiency and accuracy of information exchange, producing data that is consistent, correct, and available in real time. The result: streamlined sales and marketing processes that function smoothly together with unprecedented accuracy.

ISM also provides new value to CP executives, the extended value chain, and consumers. Using the global visibility into enterprise information, CP executives can make faster, better-informed decisions. Tools such as dashboards and scorecards deliver timely and actionable data that business leaders can use to respond proactively to deviations caused by internal and external events. Instead of spending their time gathering information, reacting to problems, or otherwise fighting fires, executives can focus on making decisions that drive profitable growth.

ISM also creates a collaborative framework that helps every player in the extended value chain – including the CP company, its brokers, suppliers, partners, and retailers – to operate efficiently and effectively. ISM enables centralized planning, maintenance, tracking, and evaluation of all activities among partners in this ecosystem. With ISM, all authorized users within the extended enterprise can access common customer information. Market intelligence enables companies

to sense and respond to changes in purchasing dynamics and consumer preferences in real time. ISM also provides a systematic way to determine if a product is underperforming or a customer is unprofitable relative to that company's products and promotions.

Suppliers can respond more rapidly and intelligently to demand and supply dynamics. Faster response to customer demands creates more powerful customer relationships and maximizes revenue and profit. Furthermore, the supplier can become a true partner in the innovation process, contributing new ideas, sharing data, and collaborating with the CP company.

Retailers benefit from increased in-stock levels of popular products while carrying lower inventory. They can maximize revenue and cash by providing constant availability of products that their customers want to buy. Leveraging ISM allows retailers to offer a unique merchandise and service portfolio tailored to their specific shoppers' needs, which leads to product and category innovation, differentiates the brand, enhances shopper loyalty, and increases spending.

Consumers can also benefit from ISM through increased product availability, which results in satisfaction, time savings, and convenience. By providing real-time visibility, collaboration opportunities, and analysis features, an ISM solution can help CP companies more effectively track and understand critical demand metrics. Standardized data and streamlined processes remove common transactional distortions occurring in the supply chain, while increasing speed and responsiveness to consumer preferences. In its most advanced form, ISM can better inform the product innovation process, helping CP companies target consumers' true needs and desires and deliver exactly the goods they want to buy, where and when they want them.



## MEASURING THE BENEFITS OF ISM

By supporting delivery of the right products at the right time to the right retailers, ISM can directly impact profit margins and translate into real bottom-line benefits. Based on existing customer studies, analyst comments, and industry polling, SAP has determined that CP companies can achieve significant value by adopting the ISM model. Benefits typically include such areas as:

### Revenue

Increase in promotional sales	3%–5%
Reduction in out-of-stocks	10%–40%

### Operating Cost

Reduction in fund overspend	0%–5%
Improvement in trade spend efficiency	1%–10%
Reduction in forward buying	5%–10%
Lower deductions	40%–70%
Reduction in manual administrative work	15%–20%

### Working Capital

Reduction in inventory levels	3%–5%
Reduction in reallocation of finished goods	15%–20%
Reduction in outstanding payments	5%–40%

In addition, ISM will help businesses realize the following qualitative benefits:

- Better ability to discover and leverage new brand and product portfolio insights at the shelf
- Faster, more effective product introductions (and phaseouts)
- Increased consumer satisfaction and brand loyalty
- Enhanced employee satisfaction, thanks to fewer interfaces and software to be learned
- Improved sales channel satisfaction and retention of top sales and service people
- Speedier channel partner ramp-up time
- Improved alignment and consistent execution of corporate strategy
- Increased fill rates
- Enhanced brand asset utilization
- Improved financial performance, such as increased invoice accuracy and decreased cash-to-cash cycle

# HOW ISM SUPPORTS PROFITABLE GROWTH

A comprehensive, closed-loop ISM approach addresses the five key business processes common to every CP company (see Figure 2). These processes, which support customer and consumer requirements related to the products and brands a company supplies, include the following:

- Brand management
- Category management
- Trade promotions management
- Account management
- Retail execution

In addition to these processes, an ISM solution also addresses the continuous monitoring and analytical activities that should occur throughout all processes. These activities allow CP companies to gain insight about operations – insight that allows executives to determine or validate best practices, supporting ongoing improvement and competitiveness.

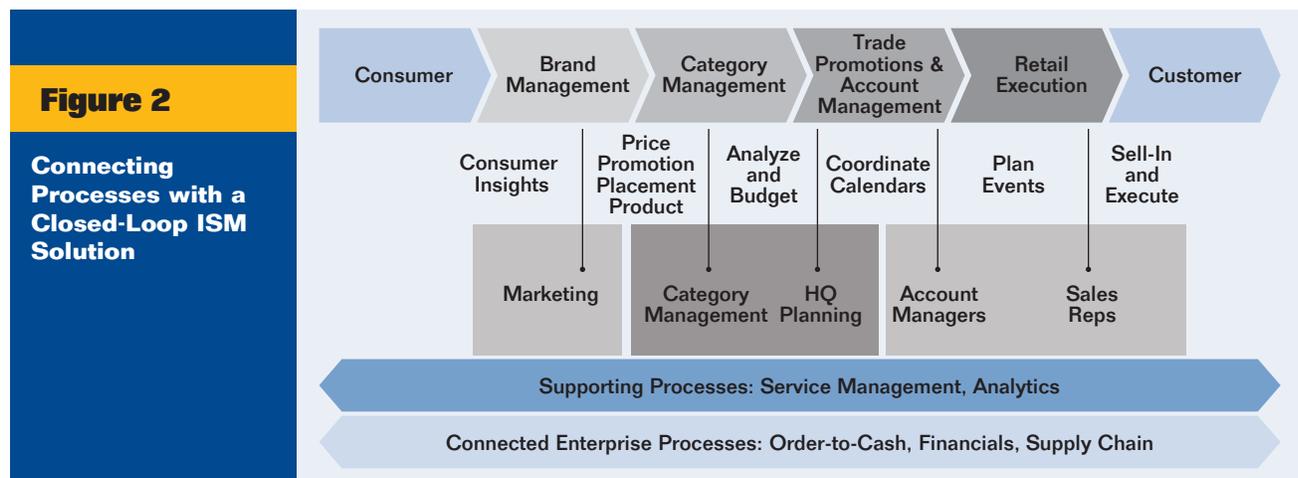
A comprehensive ISM solution offers the power and flexibility to address each of these processes, meet the relevant requirements, and provide functionality that helps CP companies adapt to dynamic market conditions. In meeting these needs, ISM can help executives drive profitable growth.

## BRAND MANAGEMENT

CP companies need an integrated solution that supports brand managers in developing the long-term value and equity of the brand, as follows:

- Establish and manage the brand strategy according to insights into consumer demand, which leads to increased equity
- Drive annual planning processes across marketing, sales, and service
- Synthesize market and competitive research into a compelling value proposition
- Determine which new products should be brought to market and how programs should be constructed
- Assess which partners are adding value and hold them accountable to deliver results
- Ensure that critical digital assets are created, stored, and leveraged consistently and strategically
- Accurately plan and forecast volume as a key input into all supply chain partners
- Execute flawlessly through to the shelf and the consumer
- Measure, assess, and report on the performance of brands

A robust ISM approach enables brand managers to pull data from a variety of sources and assemble a complete view of brand performance. From a single window, brand managers can view the most and least successful products within a given portfolio, plan budgets, schedule promotions, and use prior results to fine-tune future forecasts. The appropriate ISM solution will also help brand managers accurately monitor actual versus planned performance and perform predictive analytics and





closed-loop financial reporting to support decision making. The right solution will also provide real-time alerts, allowing brand managers to make necessary adjustments to ensure profitable brand performance.

## **CATEGORY MANAGEMENT**

Category managers have limited visibility into manufacturing and supply chain operations, a restriction that impacts interactions with retailers at the category level. Category managers and employees need a clear view of how their company will be able to consistently and reliably stock the shelves and contribute to overall category performance.

An ISM solution can help category managers analyze and understand the performance of each category and the brands within it. ISM supports collaborative planning by providing all internal and external stakeholders with a common set of complete information. This data also allows product mix analysis and what-if scenarios. CP executives require a solution that enables price, promotion, placement, and product distribution analysis and reporting to better understand the category's role within retailers' stores and to drive enhanced performance at the shelf level.

## **TRADE PROMOTIONS MANAGEMENT**

Trade promotions consume a tremendous portion of CP budgets, despite the fact that managers have little visibility into how trade promotions impact profitability. Despite the use of "best of breed" analysis software to evaluate trade promotions, executives and managers struggle to gather relevant information that would enable necessary adjustments. CP companies need trade promotions management functionality that handles a myriad of sophisticated and interconnected processes, including headquarters planning, field account planning, account sell-in and negotiation, retail execution, validation and settlement, and program analysis.

An ISM solution can deliver integrated trade promotions support and analysis, providing managers with a complete, centralized view of promotions and their impact on profitability. The right solution can foster advanced communications that link all stakeholders and facilitate a common calendar. CP executives and managers can use the ISM solution to gather actionable intelligence during promotion execution, which helps them monitor compliance with brand strategy. They can evaluate promotion profitability using actual data captured in real time and linked with back-end enterprise data, and thereby respond to shifting demand signals in a closed feedback loop. They can make fact-based decisions, refine strategy, plan new trade events, and deliver positive results to all stakeholders.

## **ACCOUNT MANAGEMENT**

Most account executives are forced to make decisions based on a narrow and incomplete view of customer profitability. Commonly available current-state account management processes rarely provide true account-level profitability metrics. Without this information, sales account executives must rely on history, relationships, and volume to support decision making.

A comprehensive ISM approach allows account managers to leverage a consistent fact base that drives profitable decisions and improves relationships with retailers. With an ISM solution, account executives can communicate with customers and proactively address profitability concerns. For example, if the cost to serve an account is too high, contracts can be renegotiated based on accurate data, or unprofitable accounts can be shifted to an indirect sales channel. A profitability-focused, fact-based ISM solution provides planning tools to project managers and helps account executives communicate about performance, enhancing the success of individual executives and the enterprise.

## RETAIL EXECUTION

For most CP companies, retail execution represents the “last 10 feet” to the consumer. Most sales reps are accustomed to making do with incomplete and delayed information from headquarters. Unfortunately, they must rely almost solely on their customer relationships to drive sales volume.

When supported by a complete ISM approach, sales reps can be linked in real time to headquarters – getting the information they need to deliver the right products to the right places at the right prices. CP companies can integrate the sales force into the strategic decision-making process, paving the way for profitable retail execution. ISM can help CP companies distribute accurate and timely program information that spotlights productive stores and profitable customers and helps reps position and sell into the retail outlet according to corporate goals. Because an ISM solution can offer near-real-time visibility into inventory and other supply chain functions, reps can guarantee the availability of popular brands or shape demand during times of constrained supply.

## ANALYTICS

CP companies leverage a variety of analytic tools that are disconnected from enterprise-wide data; this disconnect significantly reduces the precision and relevance of the data. These companies need integrated analytics linked to all supply chain and back-office financial information. Managers must be able to conduct accurate what-if scenarios that investigate which products to promote, where to promote them, when to execute promotion, and how to structure the promotion.

To support the generation of this information, the optimal ISM solution should include a pre- and postanalytic engine that evaluates the metrics upon which success is judged. Upon performing this analysis, CP executives can predict which strategy will drive maximum ROI on marketing investments before making significant investments. Robust analytics allow proactive handling of fulfillment issues and shifting of resources, real-time monitoring and assessment of brand performance, and postpromotion understanding and fine-tuning of programs and investments.

## CASE STUDY

### MAXIMIZE RETURN ON COMMERCIAL INVESTMENT WITH TRADE PROMOTIONS MANAGEMENT

Proper management of trade spending directly impacts corporate profitability, yet it is one of the most neglected processes in a typical CP organization. One leading company, understanding the need to significantly transform its commercial planning and execution processes, recently adopted the trade promotions management (TPM) functionality of an ISM solution.

This US\$12 billion enterprise, with global operations and sales, wanted to adopt a measurement-based, disciplined approach to maximize return on its commercial investment. With the support of a global project owner and with executive buy-in, the company rolled out the TPM features to a pilot region. In this area, the organization improved operations and demand planning, streamlined promotion planning, and enhanced administrative efficiencies. As a result, brand equity was strengthened because funding could be redirected to drive product innovation and brand investment. The company was also able to improve the understanding of demand, and as a result, significantly reduced promotion out-of-stocks – and eventually on-hand inventories.

Managers now have complete visibility into the life cycle of each promotion, which allows them to plan subsequent promotions with greater accuracy and achieve higher ROI. The solution’s inherent connectivity links all relevant parties inside and outside of the enterprise, enabling an easy flow of information and more informed decision making.

As the company plans to roll out the TPM capabilities to additional regions, executives expect to create even more successful campaigns and optimize promotion spending. With a thorough understanding of enterprise performance metrics, the company will be able to analyze a promotion’s performance within the context of overarching business strategies and global financial goals. Says one executive: “Our new system encompasses a much broader scope than just promotions. It will impact our total commercial investment.”

## LAUNCHING AN ISM INITIATIVE

While most organizations have some ISM elements in place, few companies today have a comprehensive, fully functioning approach. To begin the journey, you must identify an ideal end state, establish a strategy, and work methodically toward that objective. Although the appropriate path to achieve ISM differs by company, several key steps can simplify the process.

**Embrace harmonization** as a first step toward a successful ISM solution. Harmonization requires standardization of processes, data, decision-making criteria, and technology across all functional teams, including marketing, sales, finance, operations, sales operations, market research, logistics, customer service, and IT. Begin by conducting process-blueprinting workshops for the five components of the ISM stack – brand management, category management, trade promotions management, account management, and retail execution. Blueprinting workshops help clarify the current “as is” state of these processes, as well as define the ideal “to be” state. Including the same representatives from each functional team in the workshops is critical to creating a successful approach.

Once harmonization is complete, **establish performance management metrics**. To ensure that the planning process is consistently defined and that each group is working toward the same goal, you must define metrics, identify data sources needed to actualize performance, and develop all plans at the level at which performance will be measured. Once these metrics are identified, individuals and departments can execute against their goals, and management can easily understand how actual performance measures up against the corporate plan.

The next step in the process is to **align master data**, also known as performing global data synchronization. At its most basic level, aligning master data is a process that clearly defines customers, products, geographic boundaries, team member roles, and process time frames. For example, a company could agree that weekly measurements cover Sunday through Saturday, instead of Tuesday through Monday. Only when definitions are in place can measurements be carefully aligned. Achieving maximum success in this process requires that affected functional teams agree on definitions.

Once metrics are established and master data is aligned, **select the types of data hierarchy structures** needed to facilitate planning, budgeting, programming, execution, payment, tracking, evaluation, and capturing key lessons learned. Aligning on hierarchy infrastructures enables teams to engage more dynamically and respond more quickly to results.

With metrics in place, you can begin to **implement the ISM components** that most effectively address the immediate needs of the company. For most CP companies, the analytics framework is the highest priority, because it enables improvement in the monitoring and tracking of actual performance against the preestablished plan. From this analytic layer, any of the process components can be implemented with a clear view into how the new planning capabilities will drive improved behavior and the expected growth in volume, sales, and profitability. No matter which ISM component you implement first, having a clear architectural picture of the ultimate ISM solution is critical. Only with a clear path to ISM can you implement this solution in prioritized segments that systematically connect, driving incremental value with each completed piece.

## GET READY TO GROW

Achieving profitable growth is an increasingly difficult goal. CP executives need to consider new strategies that can drive revenues, reduce costs, and improve the bottom line. Maintaining discrete, disconnected sales and marketing processes is a surefire path to making poor choices and delivering unprofitable results.

Only by embracing an integrated approach to sales and marketing can you give decision makers the information they need to make wise choices in a competitive and dynamic marketplace. ISM offers a clear opportunity to create new efficiencies and synergies that can help your company achieve profitable growth. Are you ready to lead the way?

### CASE STUDY

#### DRIVING TOP-LINE GROWTH THROUGH BRAND MANAGEMENT

Savvy brand management is an essential skill for successful consumer products companies. One global corporation with US\$15 billion in sales used the brand management functionality of an ISM solution to drive new value within its operations and deliver true bottom-line benefit.

The company, which spends US\$400 million annually in advertising and consumer promotion, had many brand-building tools in place, but no way to aggregate the information or to centralize best practices.

Executives wanted a planning approach that would be integrated with the corporate financial systems. Being able to link performance measures into the financial system would create a closed-loop solution – enabling rapid and accurate decision making.

With the ISM solution, the company can plan, analyze, and report financial results. All brand management information can be captured in “one source of the truth,” which allows staff to work efficiently and effectively. Instead of spending their time gathering information, team members can concentrate on strategic thinking, making sure that the company has the best plans, leverages insights and knowledge, and continually improves execution. Additional benefits include better understanding of coupon redemption rates and patterns, improved forecasting, faster month-end closing, and streamlined financial compliance and reporting.

“The system gives us visibility to our results, and it lets us deploy resources as quickly as possible to chase incremental opportunities in the marketplace, to drive even more growth,” says a director of brand equity management for this firm. “That’s really where the magic comes in.”

Looking forward, the company plans to use the ISM solution to improve trade promotions management and integrate its knowledge about brand equity management with a demand-based supply network. “Our success in the marketplace is dependent on the success of our people,” says the executive. “In our ISM system, we have some great tools, processes, and capabilities that will take us to the next leading edge as a CP company.”

## ABOUT THE AUTHORS

**Gary Adams** is a director for SAP's Consumer Products industry business unit. He is responsible for driving the adoption of the SAP approach to ISM and ensuring the maturation of the solution set. Before joining SAP, Adams held roles at several consumer products and information service companies, including General Foods Corp., Quaker Oats, EMS, and Applied Information for Marketing. He holds a bachelor's degree in business administration from Grand Valley State University.

**Mark Panley** is senior principal in the Value Engineering group at SAP. He is responsible for alignment of business and IT strategy, long-term IT road mapping, and business case development for strategic SAP partners and customers. He has led the consumer products/wholesale distribution industry benchmarking and intellectual property development efforts. Before joining SAP, Panley provided solutions and value consulting for companies including GT Nexus, i2 Technologies, and Grainger. He holds an MBA from the Kellogg School of Management at Northwestern University and bachelor's degrees from Miami (Ohio) University.

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\*SAP defines business software as comprising enterprise resource planning and related applications such as supply chain management, customer relationship management, product life-cycle management, and supplier relationship management.



