

# ROOM FOR IMPROVEMENT

## Taking stock of account planning capabilities

The consumer goods (CG) industry has invested a lot of time and money over the years to improve planning processes and the resulting forecasting accuracy, but have things really improved? Most of the attention on demand-driven initiatives has resulted in increased attention to the supply chain planning process, with promising early results, but the account planning process has been largely ignored. Management of customer relationships and the related forecasting activities are generally considered to be part of the CRM process and the CG industry has certainly adopted CRM applications en masse.

This month, we take a different approach to research as we partner with **Perficient** to assess the level of account planning maturity within the CG industry. Have CRM implementations addressed account planning processes adequately? Are the appropriate processes in place, regardless of technology? What we found isn't surprising: There is a wide range of capabilities with a lot of room for improvement.

### COLLABORATION LACKING

Benchmarking is a necessary step to gauge where companies stand compared to their competitors, both in terms of size and category. Almost half of our respondents are small to mid-size (SMB) companies and in some cases this will explain the lack of systems or sophisticated processes. For example, only the larger companies in our survey are forecasting in terms of baseline plus incremental volume, using an analytic tool that is based on intelligent algorithms and historic trending. As you will see, that is not always the case as some smaller companies are passing their larger counterparts in leveraging more advanced processes.

One such example is in the collaborative planning area (*Figure 1*). All of our respondents who either don't practice collaborative planning at all or who do manual collaboration with no formal process are companies under \$1 billion in revenue, and none of them have vendor managed inventory (VMI) processes in place with more than two key customers. Yet if we look at the breakdown of those companies who practice collaborative planning and forecast replenishment (CPFR), there are almost as many companies under \$1 billion as companies over \$1 billion who are practicing this more intensive collaboration. We would have expected more of the larger Tier 1 companies to be practicing more sophisticated collaboration and be beyond basic VMI.

### LITTLE INCENTIVE FOR FORECAST ACCURACY

One of the most contentious areas surrounding account planning is how to improve forecast accuracy. For processes dependent on more accurate sales forecasts, particularly within the supply chain or operations area, including S&OP, incentives drive behavior and therefore, sales teams should be incented to improve forecast accuracy. While 20 percent of our respondents do not even measure sales forecast accuracy (*Figure 2*), with the majority of these companies under \$1 billion, the 80 percent that do capture and measure this key metric is step in the right direction. However, the majority of the 80 percent are not relating forecast accuracy to any sales incentive.

This brings up questions related to the ultimate goal of a CG company and how profitability is still not necessarily a widespread goal. If sales organizations are incentivized on revenue only, there is little expectation of effective or profitable account management. When we asked what elements

### VENDOR PERSPECTIVE

## Benchmarking Your Roadmap for Success

Knowing where you are going is never more important than when you consider your approach to the market, and it can be an impossible task if you do not know where you are.

What we need is a roadmap — a set of directions that will get us safely to our destination, ideally within our given time and budget. To define those directions, we first need to know where we stand:

- How do we stack up against our peers and our competitors?
- Where do we have key competitive advantages that we should maximize?
- What weaknesses are hurting our ability to partner with our customers?

There are quick approaches to jumpstart our scoping. We could grasp some key internal pain points and pursue resolving them, hoping that the pain points identified are in fact the key factors inhibiting our go to market strategy. If we are right, we advance significantly toward that ideal roadmap. If we are wrong, we have wasted time and money and are right back where we began. Alternatively, we can target major industry initiatives, hoping that they deliver a significant advantage to the business. Blindly pursuing these goals brings a different set of dangers to bear. It brings issues of internal readiness as well as serious (and often well justified) questions regarding return.

Fundamentally, neither of these approaches help us answer our three key questions. Without the answers to

those questions, the best approach we can craft is a short-term initiative. We are blocked from doing any strategic planning by our own lack of knowledge.

To remedy this lack of knowledge, we could analyze our current stance and our future goals, benchmarking ourselves against external and internal criteria. Too often, we avoid this step. We believe that there is not enough time. We believe that we already know what our priorities should be. We believe that the pause we make to define our directions will delay the end result of our initiative.

If benchmarking is the answer to putting together a cohesive program, what are we missing in our cost/benefit analysis that makes so many pass it by and jump straight to execution of a specific project?

First, we have forgotten that without directions we will arrive somewhere, but it may not be our desired destination, and we are likely to hit every roadblock and obstacle on the way. More importantly, we have missed that given the right set of questions and the right people to answer them, benchmarking is not a long and arduous process, but a quick and effective means to answering our key questions. At the most limited, it is a sense-check that we are in fact headed in the right direction, and

a sense of where we stand along the continuum of progress delineated by our market. At its most effective, it is the "ah ha!" moment that opens our eyes to key strengths we can leverage or key weaknesses that we can eliminate.

Whether we land at either extreme, or at a more moderate result between those poles, taking that small amount of time upfront has huge downstream benefits both in terms of defining our destination and helping us to reach it by the most efficient (and therefore fastest) means possible.

One specific area where benchmarking is not only viable but vital, is in planning application support for your account planning processes. Promotion simulation and optimization, consumption versus shipment forecasts, planning in terms of baseline and incremental

volume — there are a number of planning and management initiatives that have taken root in the last decade. Knowing where your market segment stands on these, and how you compare against both the ideal and the reality, is invaluable as you craft a CRM strategy for account planning and trade management.

Still not sure? Let Perficient show you how achievable benchmarking can be and help you start reaping the benefits of your detailed roadmap for success.



were actually forecasted, a full 53 percent forecast sales volume only, and another 30 percent forecast sales volume and spend. Only 18 percent of those surveyed forecast sales volume, spend and profitability.

### EXCEL IS KING

Technology may play a role as not all companies have the tools to even capture all the data necessary for more sophisticated planning. When asked specifically about promotion planning (Figure 3), almost half of our respondents (45 percent) have no formal planning tools and use Microsoft Excel. Almost all of those companies are under \$1 billion in size, and these smaller companies often have very few enterprise applications. Tools that employees are most comfortable with tend to become the de-facto standard and particularly in the sales area, Excel is the system of choice.

For those companies that do have formal planning tools for the sales organization, the integration to a standard trade

## ALMOST HALF OF SURVEY RESPONDENTS (45 PERCENT) HAVE NO FORMAL PLANNING TOOLS AND USE MICROSOFT EXCEL.

promotion management (TPM) solution is still a long way away. TPM has not been as widely adopted as anticipated; according to AMR Research, only 36 percent of CG companies are currently using a TPM application, with the split between enterprise and smaller companies significant as more than twice as many of those companies are Tier 1. As our survey demonstrates, 39 percent of our respondents have separate trade management tools and only 16 percent have a single tool for both planning and promotion management. Not surprisingly, the majority of those companies are food manufacturers.

One of the more sophisticated capabilities in the account planning process is the ability to perform pre-promotion simulation, or sandboxing (Figure 4).

Of our respondents who have formal planning tools, the progression to these advanced capabilities fell along expected lines, with only 3 percent at the most sophisticated level where the tool generates recommended promotions based on spend parameters and historical performance. Once again, these results roughly align with company size, with the food vertical leveraging the more advanced capabilities, including the enablement of promotion simulation based on stored lift factors or historical performance. **CG**

FIGURE 1

### To what extent does your organization participate in formalized collaborative planning with key customers?



FIGURE 2

### How do you measure forecast accuracy within the sales field?

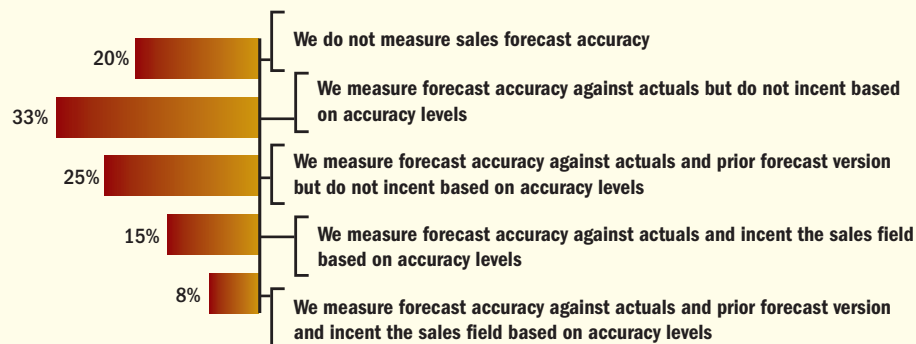


FIGURE 3

### How many tools are required for generating a promotion plan?

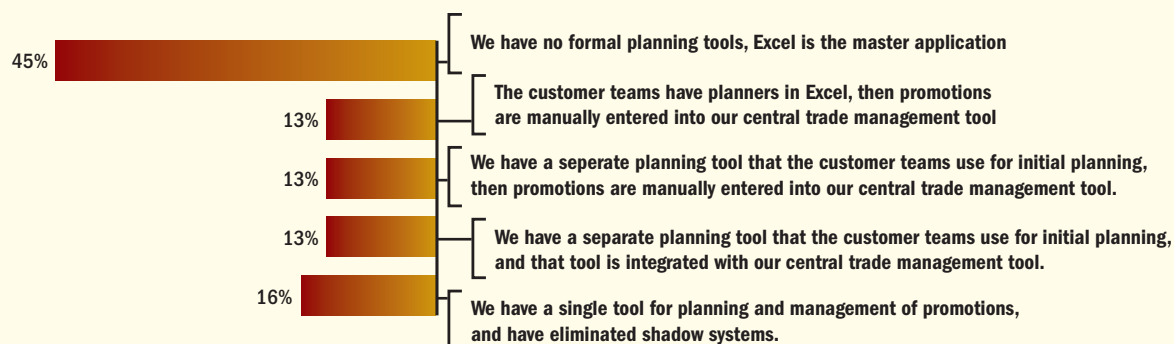


FIGURE 4

### To what extent does your planning tool enable pre-promotion simulation (sandboxing)?

