



Building a Business Case for Improved Forecasting and Revenue Management



- 20+ years Retail / FMCG
- GM, BASE® Technologies
- VP Shopper Marketing, RSi
- Commercial Director, RI
- MS&P Leader Homecare, P&G



Marketing planning, delivery
and evaluation software



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Objectives for this session



Building the Business Case

1. Creating a burning platform



2. Identifying a vision for a better future



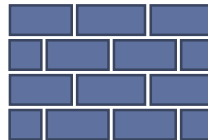
3. Aligning the organisation around the financial and organisational benefit



4. Demonstrating the value



5. Overcoming the blockers



6. Landing the change (systems & wow)



Create a burning platform



Why do you need a burning platform?

“Orchestrating pain messages throughout the institution is the first step in developing organisational commitment to major change.”

Rosabeth Moss Kantor: former editor, Harvard Business Review

Burning platforms are very powerful drivers of strategic change:

- There is a real and immediate issue/crisis
- There is a limited number of difficult and challenging choices
- Each of the choices is irreversible

WHAT KEEPS YOUR SENIOR TEAM AWAKE AT NIGHT?

What's your burning platform?



- Flat / declining volumes?
 - Traditional major customers sales are challenged, but negotiating harder than ever
 - Discounters / Own Label / E-commerce growth ...
 - New entrants, nimble, targeted and eating away big brand share
- Profit challenges?
 - Over-forecasting / under-delivery
 - Better return for trade spend
- Organisational Challenges?
 - Increasing complexity; merging channels exploding number of investment choices
 - Data / Administrative overload

However, it may fall on deaf ears ...



Vision for a better future



Audit: People, Organisation, Capability & Tools

Net Revenue Management

- Brand Portfolio Pricing
- Price, Pack Architecture
- Mix
- Trade Terms
- Integrated Business Planning

Forecasting

- Strategic and Customer Account Planning
- Scenario planning for both supplier and retailer
- Base and Incremental in pre-promotion evaluations
- Cannibalization effects
- Promo planning and post-event analysis using consumption data

Survey of your current position vs best practice

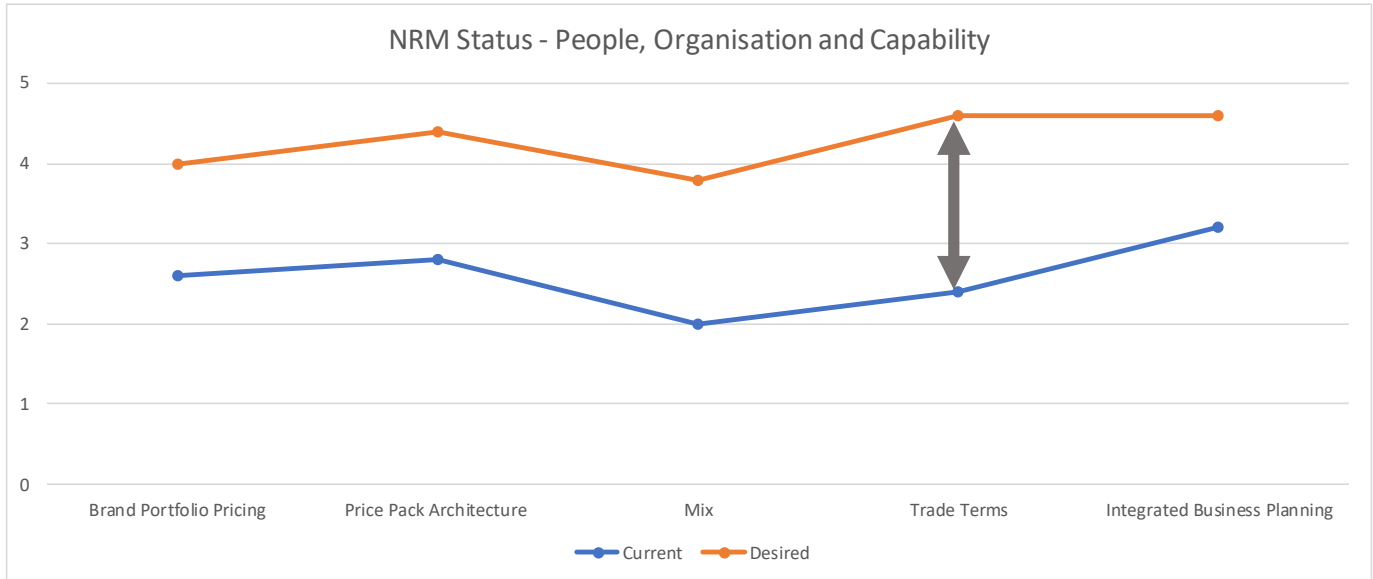
Audit of your company against Best in Class Net Revenue Management Framework

Key Capability Area	Best in Class
Brand Portfolio Pricing	Pricing optimisation is in our DNA - we maximise value creation for the company and retail partners, leveraging consumer, shopper, price elasticity and customer data to meet key price points, deliver a premium and standard offer and maximise portfolio profitability, whilst driving category value.
Price Pack Architecture	The organisation fully embraces the science and art of delivering a pack, pricing architecture that maximises value creation for the company and retail partners, leveraging consumer, shopper, price elasticity and customer data to maximise portfolio profitability and create category value.
Mix	Proactive management of SKU mix by Channel, Retailer and Brand driven by clear segmentation and executed by disciplined Sales Teams who understand how to maximise retail sales value whilst also delivering margin improvements in the JBP for both parties
Trade Terms	Integrated modelling capability that brings all investments together in customer business planning to ensure investments are skewed to the retailers that deliver the best return and where conditionality can be applied
Integrated Business Planning	Sales, Supply Chain and Finance have the same source of the truth, with one connected solution that models the impacts of changes and ensures full visibility of accurate forecasts across all levels of the organisation. There is very limited discussion on reconciling the numbers

Where is the room on NRM ?

- People, Organisation and Capability

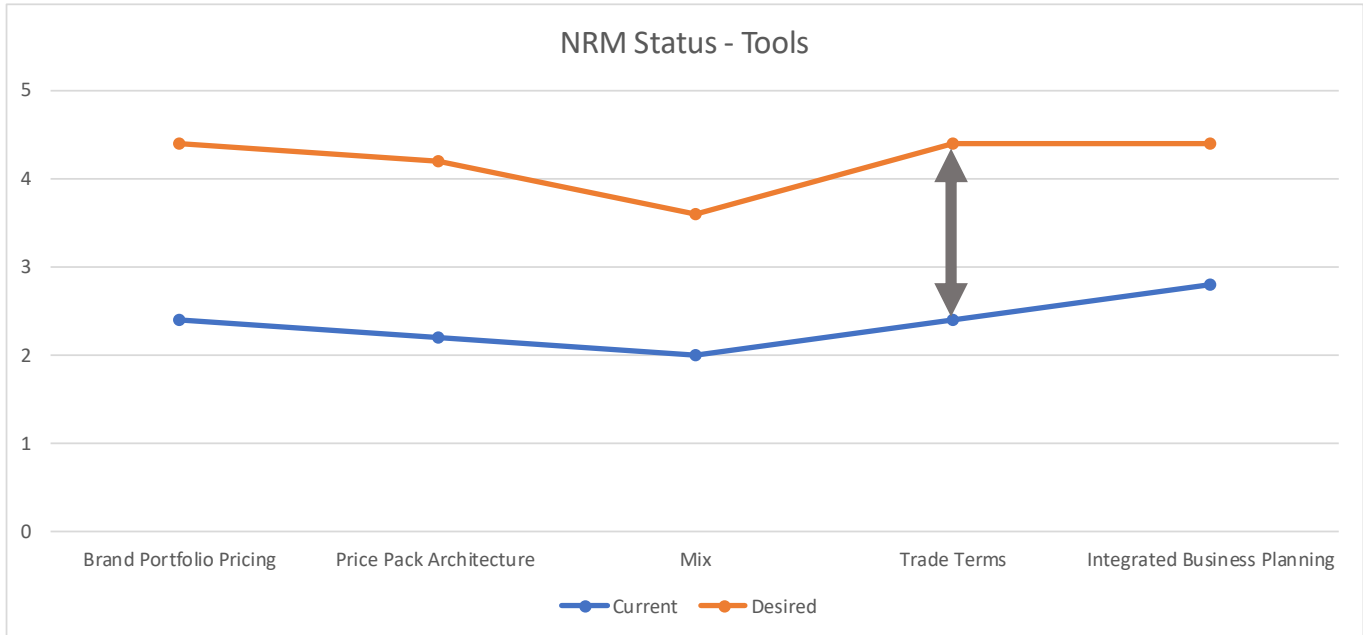
- Average across all measures – current position 2.6 desired position 4.3



Where is the room on NRM?

– Tools

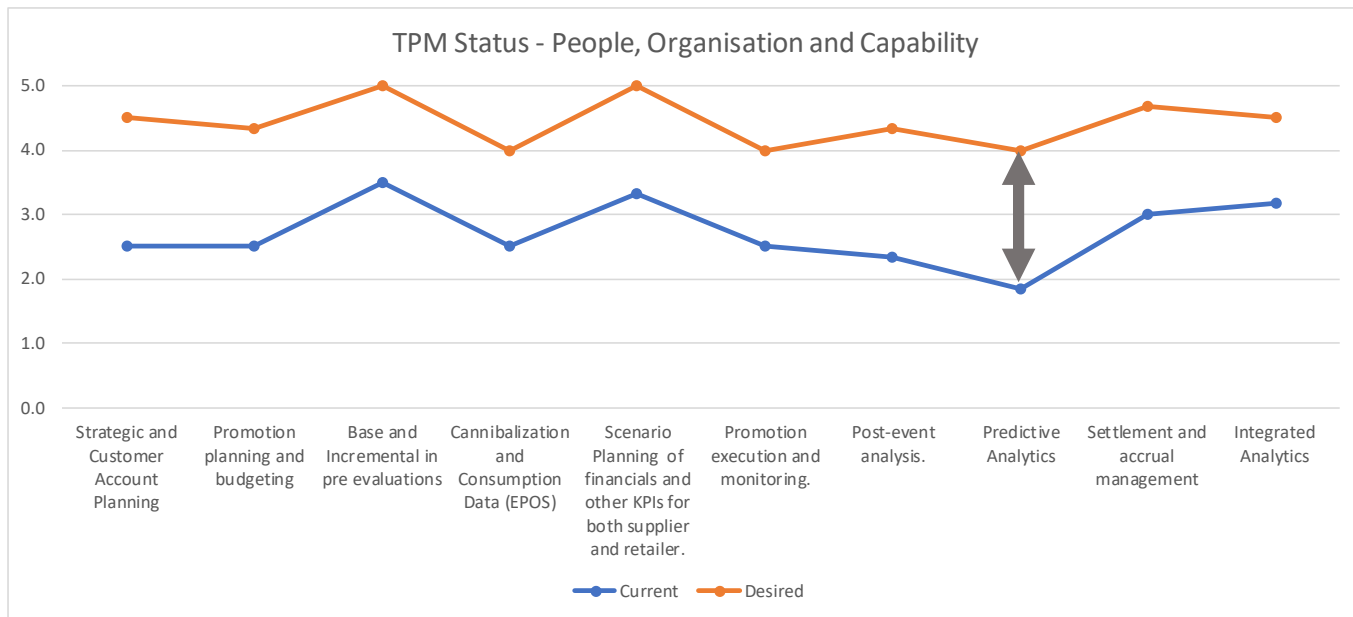
- Average across all measures – current position 2.4 desired position 4.2



Where is the room on TPM / Forecasting?

- People, Organisation and Capability

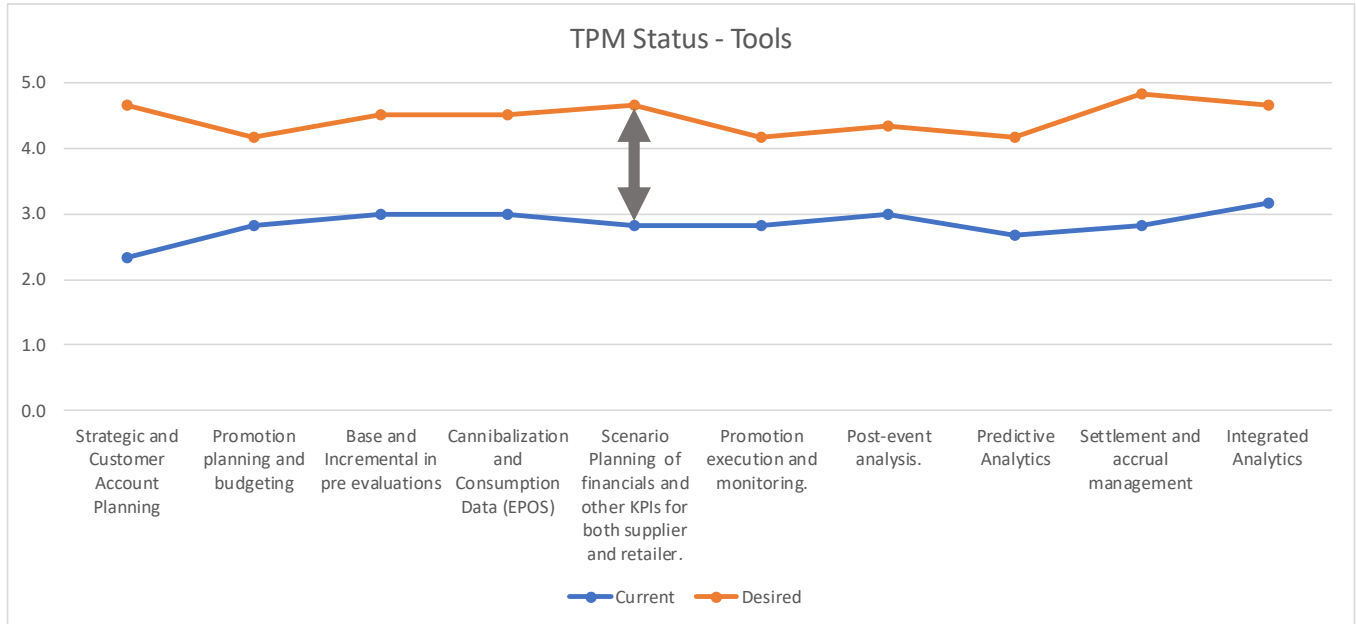
- Average across all measures – current position 2.7 desired position 4.4



Where is the room on TPM / Forecasting?

– Tools

- Average across all measures – current position 2.9 desired position 4.5



Where are the issues / opportunity areas?

INTERNAL

V

EXTERNAL

- Time & Motion study on Sales to find out how their current tasks will be affected
- Gather opinion from those doing the work; what holds them back and could be simplified
- Understand how key business processes will change or be improved
- Engage with Finance to build credible business case, promotion performance

- Knowledge sources such as Gartner. Learn what you can... there's many, many articles that can help frame your thinking
- Conferences & events are great to build a wider network and learn from others
- Reference calls with solution vendors for supplier validation but also for learnings & project planning



Frame the issues through the lens of ...

People



90 days a week wasted

I didn't join Sales for this

There are multiple numbers; what's the truth?

I'm so frustrated

My forecast is a joke

We must make life simpler for our Sales team

Systems



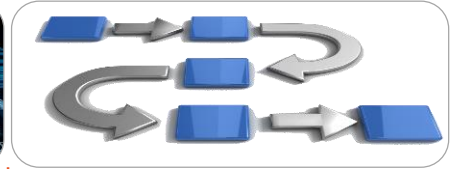
System is old, our developer retired and we carry risk

We are severely limited with an old system

We cannot see our ROI; the system can never show us that

We must be able to see & improve our ROI

Process



Retailer P&Ls are done in Excel

We all have different reports set up

We are not agile in a competitive market

It takes weeks to run our JBP models

We must make more informed & timely choices

A vision for a better future ...

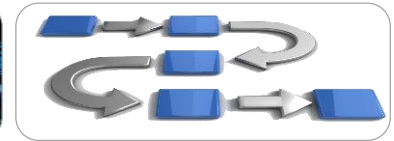
Model:



We must make life simpler
for our Sales team



We must be able to see &
improve our ROI



We must make more
informed & timely choices



Goal: Making revenue management and promotion optimisation a competitive advantage via best in class sales planning and forecasting

Deliverables:

SIMPLIFIED WAYS OF WORKING

Scenario planning, live P&Ls,
system generated forecast

VISIBILITY & ACCURACY OF PROMO ROI

Increased visibility and
accuracy of Promo ROI
(Revenue & Contribution)

BETTER & QUICKER TRADE SPEND DECISION

Driven by ROI, JBPs and P&Ls
through the customer view as
well as our own

Business Case:

Time & Efficiency

Promo Control & ROI

New Technology

Aligning the Organisation



Aligning around key organisational and financial objectives

£Xm



**Reduction
Trade Spend**

3-5%

**Improved
Trade Spend
ROI**

15%

**Improved
Forecast
Accuracy**

15%

**Better
Customer
Plans**

+£Xm

**Improved
Settlement**

**50 days
per wk**

Time Saving



Calculating the financial benefit

Business Case Template - Building the Case for TPM / NRM							
GBP£	Year	1	2	3	4	5	Total
Financials	Gross Sales	£100,000,000	£102,000,000	£104,040,000	£106,120,800	£108,243,216	
	Trade Spend	£20,000,000	£20,400,000	£20,808,000	£21,224,160	£21,648,643	
	Net Sales	£80,000,000	£81,600,000	£83,232,000	£84,896,640	£86,594,573	
	COGS	£32,000,000	£32,640,000	£33,292,800	£33,958,656	£34,637,829	
	Gross Margin	£48,000,000	£48,960,000	£49,939,200	£50,937,984	£51,956,744	
Benefits							
Trade Spend ROI	Typical Improvement	-	0.8%	2.0%	2.5%	2.5%	
	Impact		£153,000	£416,160	£530,604	£541,216	£1,640,980
Forecast Head Count	Sales	9	8	8	8	8	
	Finance	4	3	3	3	3	
	Supply Chain	3	2	2	2	2	
Head Count Savings	Sales	-	£60,000	£60,000	£60,000	£60,000	£240,000
	Finance	-	£60,000	£60,000	£60,000	£60,000	£240,000
	Demand Planning / Supply Chain	-	£50,000	£50,000	£50,000	£50,000	£200,000
	Impact		£170,000	£170,000	£170,000	£170,000	£680,000
Settlement	Settlement	£20,000,000	£20,400,000	£20,808,000	£21,224,160	£21,648,643	
	Cost Impact		0.25%	0.25%	0.25%	0.25%	
	Impact		£51,000	£52,020	£53,060	£54,122	£210,202
Forecast Accuracy	Forecast Accuracy	75%	77%	79%	79%	79%	
	Cost Improvement to COGS		0.1%	0.2%	0.2%	0.2%	
	Impact		£32,640	£66,586	£67,917	£69,276	£236,419
							-
Total Benefit	Cash Margin Benefit	£0	£406,640	£704,766	£821,582	£834,613	£2,767,601

Demonstrating the value ...



A proof of concept to validate the business case

Design any POC to validate / disprove the Business Case

OBJECTIVE	CONTENT
Ensure system is fit for purpose	External view of potential vendors Review preferred solution in light of objectives
Map processes	How will teams operate in a new world What capability is enabled through new systems
Provide evidence for ROI & time-savings	ROI Transparency & Forecast Accuracy Business Case Time & Efficiency Business Case
Clarify levels of customisation and consultancy	What extra costs (if any) are required to deliver the benefits
Complete full risk evaluation	Risks to business case not being delivered
Detailed systems and people plan	Documented key AS IS processes & changes, with timelines and deliverables

Link the key deliverables to system / process changes ...

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Business Case:

Time & Efficiency

Promo Control & ROI

New Technology

FTE savings based on time savings / efficiency

x% ROI improvement based on internal research and external reference calls

Better negotiations, better decisions, positive for all parties, conditionality

Overcoming blockers & landing the change

Financial



Ways of Working



People



Existing Systems
and Processes



Confidence, control, visibility and alignment

Landing the change



People, ways of working



Systems, processes, data flows

The Change Curve



www.expertprogrammanagement.com

Senior stakeholder commitment

Business Case Storyboard

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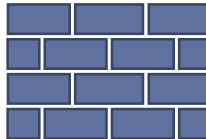
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Questions ?



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