

Major Household and Personal Care Company

Driving revenue and profitability

Case Study
CPG

Gaining competitive advantages through performance based trade fund management

Company Name: Major Household and Personal Care company.

Location: USA

Sector: Consumer Packaged Goods (CPG)/ Fast Moving Consumer Goods (FMCG)

Business Challenges: Drive organic revenue and profitability growth by optimizing trade promotion fund spend.

Consulting Services: Revenue Growth

Client Quote: *"The transformational change concepts introduced by Celerant will drive significant performance improvements over the next 3 to 5 years."*
EVP, Consumer Sales

Situation

This \$2.6B household and personal care company competes in variety of categories anchored by a combination of value-priced household goods and premium personal care brands. The company enjoys industry leading sales and earnings per share growth over the past several years and is considered a great performer in a tough U.S. market.

However, the company faced pressure on both the top line and margins due to less efficient pricing/promotional spending, rising commodity costs, fierce price competition, weak consumer demand, increasing pressure from retailers and rising investor expectations. The executive leadership team recognized the need to drive organic growth and complement its current strategy with a new approach to innovation and cost control.

Like most of its competitors in the Consumer Packaged Goods (CPG) industry, the company has been using its trade promotion funds to drive sales volume, fight off competition and gain market share. Trade promotion funds represent the second largest cost item after Cost of Goods Sold, especially since the economic downturn, when the client began to invest more heavily in trade funds. However, the company had not established a systematic way to assess the effectiveness of the investment, a crucial step

in maximizing the efficiency of any initiative. The company recognized that trade fund investments have been applied evenly to various brands and customers, rather than optimizing spend by assessing its real return for each brand or customer individually.

Approach & Delivery

Celerant teamed with the company to establish a transformational, performance-based trade fund management approach aimed at improving return on investment (ROI) on the overall trade fund strategy. This was done through several weeks of workshops, analysis and collaboration with various functions.

Celerant used a closed loop Trade Funds Management Process to develop this new approach. This process starts with comprehensive trade funds performance review at various levels including categories, brands, class of trade and customers. A suite of Key Performance Indicators (KPI) is designed to capture a fair and accurate picture of performance. Various factors measuring internal, external and market place performance are included in this well designed rating system.

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Implementing a transformational new approach of this scale is a challenging task. With full buy-in and support from executive leadership and functional heads, the joint team progressed to a pilot phase to ensure successful implementation.

The client's business is organized into two segments: Consumer Domestic, which encompasses both household and personal care products, and Consumer International, which primarily consists of personal care products.

The resulting strategy represented a transformational mindset shift from 'one-size-fits-all' to selective application of trade funds based on a set of fair and equitable measurements. Ultimately, the new philosophy drives profitable top line growth with improved ROI.

The team, with inputs from the company's key leaders, developed two quantitative models to simulate decision making and optimize results. Leveraging the models, the decision makers can quickly and easily brainstorm trade allocation scenarios and see both top line and bottom line results in real-time.

The models, however, do not replace strategy and business sense. The Trade Fund Management approach emphasizes the alignment of trade fund decision to the corporate, brand, product and channel strategies. It allows various functional leaders, such as marketing, finance and operations, to collaborate cross-functionally in a timely manner and make well-informed strategic level decisions. Executive leadership also plays a critical role, as trade fund decisions may have strategic implications on brands and retailers, as well as categories and competitors.

Celerant also ensured that continuous learning was built into the process. Insights on event efficacy are included in detailed trade event planning to determine specific mix of events at customer level. Post-event reviews are necessary for building and maintaining a knowledge base for event level drivers, lift and competitive factors. Such a knowledge base is an integral part of trade funding decisions.

Implementing a transformational new approach of this scale is a challenging task. Celerant worked closely with the company to earn full buy-in and support from executive leadership and functional heads and ensure successful implementation with a pilot phase. Designed philosophy, process and quantitative models on fund allocation and post promotion analysis were tested and installed with a selected group of brands and customers. Based on initial feedback, Celerant then further refined the process and rolled it out to all brands, products and customers.

As part of the pilot and implementation preparation, the Celerant team also provided training and coaching on tools, methodologies, and processes to a select core group. Over a short period of time the company established an internal group of Subject Matter Experts, who can ensure the sustainability of these changes for the future.

Results

Implementing the new performance-based approach resulted in:

- Identification of 10-15% improvement opportunities over the next two to three years on its trade funds spend.
- A set of transformational changes driving top line and profitability growth over the next three to five years.
- A core team of employees trained to understand the transformation, support implementation and ensure sustainability of these improvements.