Collaborative Business Planning
Getting it Right: The Key to Driving Results

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For over 25 years, WWA has been the industry leader in the development of principles, strategies and processes driving the effectiveness of partnering between retailers and suppliers or what many refer to today as joint business planning. Joint business planning has become a foundational component of category management and the interrelationship between retailers and suppliers.

Industry dynamics such as retailer consolidation, retailer emphasis on differentiation and innovation, the application of new technologies and the growing importance of understanding the shopper and translating shopper insights into action has heightened the importance of both parties working together for mutual benefit. The irrefutable truth is that neither the retailer nor the supplier can or should go it alone. Neither party has all the data, analysis and insights. Neither party has all the knowledge, expertise and resources. Neither party controls all of the marketing levers to attract and convert consumers/shoppers.

Except for a handful of major suppliers and retailers who appear to be getting it right, a vast majority still have a long way to go before they realize the full benefits of joint planning. Most joint planning processes are still focused on near term tactical opportunities in an industry environment that strongly suggests strategic alignment is a must if both parties are to produce the desired results. The alignment of business strategies and capabilities in a solutions oriented environment, with a focus on the shopper and the shopping experience, presents a huge opportunity for many companies.

Recent industry surveys reveal that only 20% of suppliers believe that their strategic collaboration efforts have achieved significant impact and 80% say it has delivered only minimal to moderate results. Significant improvement must be made to satisfy the demands of the retailer, the supplier and importantly the shopper.

It's time to move beyond conventional joint business planning, which is basically a shared process focused on the merchandising planning and performance cycle, and a process which may or may not lead to mutual benefit, to Collaborative Business Planning (CBP). The word collaborative better reflects a process where organizations work together to realize shared goals and mutual benefit.

We define Collaborative Business Planning (CBP) as follows:

> "An approach by which manufacturers and retailers are strategic partners through alignment of strategies, sharing and development of shopper insights and solutions, and application of efficiency enhancement initiatives leading to sustainable and mutually beneficial results longer term"

This process has been tested and proven to overcome the shortcomings and broad variations of conventional joint business planning. It is designed to deliver the desired outcomes of retailer/supplier collaboration such as identification of new growth opportunities, activation of shopper insights and solutions, and the ability to capitalize on cost saving opportunities through better functional/operational alignment. It is a disciplined process that results in more aligned and impactful business planning. It offers flexibility in templates and tools to fit the requirements and preferences of individual retailers.

The following provides an overview of the five key building blocks of effective Collaborative Business Planning:

1. Multi-dimensional customer segmentation model leading to a tiered planning process based on the level of collaboration appropriate for each customer tier

All suppliers should have a multi-dimensional customer segmentation model that not only includes sales contribution, profit contribution and rate of growth, but also qualitative measures such as willingness to collaborate, availability of resources, information/data sharing and more. Segmentation should guide trade promotion strategies, allocation of human and financial resources and the intensity of collaborative planning.

Based on the segmentation, customers are assigned to one of three customer planning tiers which define the planning horizon, level of executive involvement, resource allocation, shopper insights investment and level of product and program customization. The collaborative business planning process is adapted and right sized for each customer tier. The three tiers are:

- Strategic Collaboration, which generally applies to the top 4-6 retailers, drives the highest level of strategic alignment. It includes a 2-3 year planning horizon; retailer and supplier executive involvement at the CEO/COO level; a high level of information/data sharing; strong focus on the shopper, shopper insights investment and solutions, shopper insights activation; and a willingness to invest in product/program customization initiatives.
- Selective Collaboration, which generally applies to the next 10-15 retailers, is more selective in the areas desired for strategic and planning alignment. It includes a shorter planning horizon, retailer and supplier involvement at the Vice President level and limited to moderate investment in customer specific insights and product/program customization.
- Tactical Collaboration, which involves all remaining customers, is focused on annual planning with a top-down programming focus and limited collaboration.

2. Required foundational knowledge in preparation for collaboration

To effectively collaborate and align with key customers, it is crucial to have a comprehensive understanding of the customer and their strategies. The typical customer profile, which contains customer organization structure, key contacts, decision processes and go-to-market strategies is expanded to include readiness and willingness to collaborate, retailer expectations of suppliers and retailer willingness to commit.

The Customer Strategic Plan, which includes an enhanced SWOT analysis, identification of the "keys to winning at the retailer" and high level plans to address each, should be prepared before collaboration.

It is important to transfer this knowledge to those executives who will be participating in the Strategic Alignment Meeting.

3. An effective Strategic Alignment Meeting construct

Strategic alignment can only occur if there is a comprehensive and highly disciplined process leading up to the Strategic Alignment Meeting (formerly the Top-to-Top meeting). This meeting should encourage open dialogue and idea exchange with the primary focus on future business growth and solutions. Good in theory but seldom practiced. Instead, approximately 75% of all "Top-to-Top" meetings are spent reviewing past performance with both parties talking at each other supported by carefully crafted PowerPoint presentations.

There are two keys to an effective Strategic Alignment Meeting.

<u>Pre-Meeting Preparation</u>

We continue to see supplier account management teams prepare for "Top-to-Top" meetings without sufficient dialogue with the retailer in advance relative to meeting objectives and subjects to be covered or by gaining a clear understanding of the retailer's go-to-market objectives and strategies. The better the communication is prior to the meeting, the higher the probability of a productive outcome for both parties. This includes dialogue/collaboration between both parties to identify and secure agreement on issues/opportunities to be discussed in the meeting. All information should be shared electronically at least 48 hours prior to the meeting to ensure each participant is properly prepared for the meeting.

<u>Strategic Alignment Meeting Structure and Process</u>

This meeting should be strategic in nature with a focus on alignment of goals, broad initiatives, the future not the past, consumer/shopper insights and strategic initiatives. The meeting environment should be conducive to open dialogue and productive communication with no more than 1/3 of the time spent on presentations by both parties and the remaining time spent on open discussion and idea exchange focused on opportunities. There should be a willingness to share knowledge and information, ask questions, listen carefully, and explore ideas and opportunities fully.

Agreements made on key initiatives to pursue are cascaded down into a Team-to-Team process for the development of each. Key initiatives may include shopper focused opportunities, operational alignment opportunities and more tactical items to be incorporated into the annual business plan.

We suggest a limited number of senior executives participate in this meeting.

4. A Team-to-Team process to plan and execute initiatives cascaded down from the Strategic Alignment Meeting

Team-to-Team meetings between the supplier and retailer are chartered to develop detailed work plans for executing agreed upon strategic initiatives. Key objectives, work steps, responsibilities and success measures are established. Team-to-Team processes generally focus on two types of initiatives:

- Shopper Insights into activation projects. Key steps include shopper insights review, clarification and/or definition of shopper strategies and platforms, group ideation on key objectives and potential tactics/programs, determination of additional analysis/research required to flesh out opportunities and determining the initial size of the opportunity and investment/ROI estimate.
- Operational initiatives such as supply chain/logistics alignment, retail-ready packaging, store execution support, information technology alignment, sustainability, etc.

5. Top-down/bottom-up functionally integrated annual business planning process
Ultimately, all collaborative initiatives will need to be incorporated into the annual customer planning process. This should be a fully integrated cross functional, top-down/bottom-up process including sales, marketing and the appropriate support functions. During this process there are typically multiple interactions with the retailer from preplanning to plan finalization.

The key to winning
Collaborative Business Planning (CBP) is an advanced, highly disciplined process that has been tested and proven to deliver the desired results. It offers sufficient flexibility to fit any retailer situation; it results in more aligned and impactful business planning; it ensures a sharp focus on issues and opportunities leading to shopper centric solutions and it produces a much higher return on investment for resources deployed toward the relationship between the supplier and retailer. When considering current industry dynamics, a supplier who wants to be a winner in today's environment, and in the future, has no choice but to adopt this process if it is to maintain or improve its competitive position in the marketplace.

To learn more about "how to" deliver the highest ROI on Collaborative Business Planning (CBP)
Contact Win Weber at winweber@winstonweber.com or (901) 763-0263

Win Weber is Chairman and CEO of Winston Weber & Associates, Inc. (WWA), a management consulting firm that provides a wide range of consulting services to manufacturers and retailers in the consumer products industry. He introduced the concept of retailer/supplier partnering 25 years ago and is recognized today as a leading expert on this subject. He is one of the original architects of category management and architect of the recently announced beyond category management Shopper Centric Solutions Planning SM process.