

Quofores Executive White Paper

Global In-Store Practices:
Results of the 2010
Industry Benchmark Survey

Presented by Quofores and Booz & Company

April 2010



in association with

booz&co.

1 Background

RESEARCH OBJECTIVE

The Booz-Quofores 2010 Industry Benchmark Survey seeks to better understand the current challenges CPG companies face in-store and how technology is being used in the in-store environment.

KEY FINDINGS

The survey gathered responses from 113 Consumer Products executives responsible for in-store operations.

- 49% of respondents reported annual revenue over \$1 billion
- 26% reported annual revenue under \$100 million
- 30% have an in-store team with more than 1,000 field reps
- 22% have less than 50 reps
- 50% ranked increased sales as their top priority
- 40% identified limited visibility of trade promotion compliance as their main concern
- 42% don't know if they achieve target ROI from in-store programs
- 21% know they do not
- 24% said they had standard in-store systems on a global basis
- 60% use Excel for analytics
- 71% are considering additional resources in people or technology to support in-store strategy
- 94% of them plan to invest in technology
- companies that invest in technology are 50% more likely to achieve their in-store ROI targets

The 2010 Industry Benchmark Survey was developed as a joint effort between Quofores, a leading provider of software solutions for Consumer Products (CP) companies' mobile field representatives, and Booz & Company, a global consulting firm for business, government and not-for-profit.

This joint research project seeks to better understand the current challenges CP companies face in-store and how technology is being used in the in-store environment.

Quofores and Booz & Company identified several key industry trends that underscored the need for this research.

They include:

- a shift in the focus of industry competition to the in-store environment where retailers' private label strategies present a growing challenge for brand manufacturers
- the need to execute flawlessly in-store, utilizing best practice to ensure in-store compliance, particularly in relation to trade promotions
- varying rates in the adoption of mobile solutions notwithstanding empirical evidence of proven ROI through gains in field force efficiency, productivity and visibility

The goal of "winning at the shelf" is already being realized by leading CP companies that have employed mobile, wireless technologies to automate and optimize the day-to-day tasks of their field sales and marketing, merchandising, van sales and direct delivery teams.

Measurable benefits from these implementations include reduction of out-of-stocks, optimization of new product introductions, improvement of store-level ordering and inventory holdings, and enhancement of at-shelf facings.

Companies are also benefiting from productivity gains that come with greater visibility of field force activities as well as operational improvements made possible by the increased velocity of information flowing to and from the field.



As retailers increasingly take charge of the consumer shopping experience, and expand the sophistication and quality of their private label offerings, CP companies are under increasing pressure to align their product mix, trade promotion planning and merchandising programs to complement the strategies of individual retailers.

Against this backdrop, the importance of in-store compliance – with promotions, displays, pricing, and planograms – has never been greater.

As manufacturers increase their trade promotion spend to satisfy savvy shoppers in search of savings and ramp up product and packaging innovation to reinforce differentiation, poor in-store compliance means that the ROI potential of a special offer, an innovative line extension, or a new product introduction will remain unfulfilled.

For manufacturers, the goal of better monitoring, both in the store and in the field, has become an imperative for competing and winning at retail.

More than ever, in-store metrics related to distribution, facings, pricing, POS materials and displays must be tracked and measured weekly or daily.

This, in turn, demands greater efficiency and productivity from field representatives, requiring clear visibility of individual performance in each territory.

For manufacturers, the goal of better monitoring, both in the store and in the field, is now an imperative for competing and winning at retail.

As with other links in the overall value chain, companies that have been quick to leverage technology advances in the field are honing their competitive edge in retail execution.

The results of the 2010 Industry Benchmarking Survey further support this proposition.

2 Methodology

ANALYTICAL PROCESS

Respondents were invited to complete the online survey via an invitation sent to their business email address.

Email recipients were drawn from contacts listed in Quofores and Booz & Company's contact databases of customers and prospects.

The survey included three question types: multiple choice (single answer), multiple choice (multiple answer), and ordinal scale.

Quofores and Booz & Company independently examined each question and reviewed data trends across the broader categories.

Cross-tabulation analysis was used to identify correlations between independent and dependent variables within the categories. The analysis methodology included segmentation and indexing to isolate and quantify relative strengths of responses.

For example, initial analysis revealed correlations between in-store goals and specific technology usage. A cross-tab evaluation was then used to view the respondents by their in-store priority rankings in relation to calculated averages for their self-assessment of in-store technology usage.

The cross-tab matrix was further indexed and segmented to reveal fresh insights based on three different tiers of in-store technology adoption (i.e., low tech, medium tech, high tech).

In March 2010, Quofores and Booz & Company fielded an online survey to executives within the consumer packaged goods industry. Recipients included individuals responsible for in-store operations in sales, merchandising, operations, or IT roles.

The survey was designed to examine:

- the resources and tactics that CPG companies are using to support their in-store strategies
- key industry trends impacting abilities to succeed in retail execution
- the prioritization of in-store goals among full-time staff or outsourced teams
- the role that technology plays in supporting in-store goals
- analytics and how CPG companies use in-store data
- ROI for in-store programs
- a five-year outlook on what investments companies are planning for in-store and technology projects

Survey questions focused on three key data categories:

1. Current use of technology (both general descriptive answers as well as specific rankings of in-store tasks).
2. Priority of in-store goal rankings (merchandising compliance, reduction of out-of-stocks, promotional compliance, reduction of in-store time/increase productivity, increased sales, order entry, other).
3. Background information including market location, company size, and in-store approach.

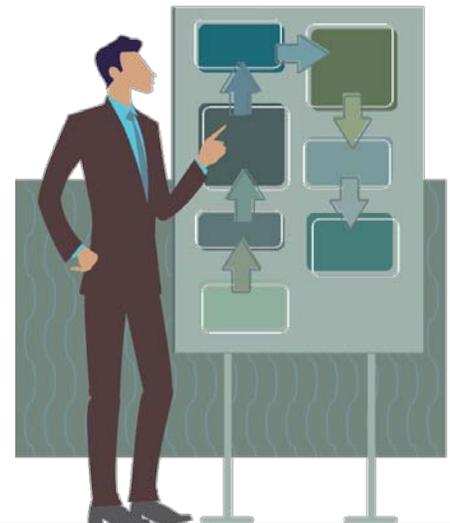
Segmentation was also used to differentiate respondents based on their answers to the background and demographics questions. Segments included, but were not limited to:

- revenue under/over \$1 billion
- DSD, non-DSD
- achieving ROI/not achieving ROI
- highest in-store goal segment

After independent analysis of the raw survey data, Quofores and Booz & Company met several times to examine the responses.

All affirmative statements, survey finding summaries and report recommendations were arrived at by an analytical process combining cross tabulation, indexing and segmentation of the survey results.

The findings and conclusions in this report are the result of this collaborative review process, drawing on the domain expertise of subject matter experts from both companies.



3 Base Results

PARTICIPATING COMPANIES

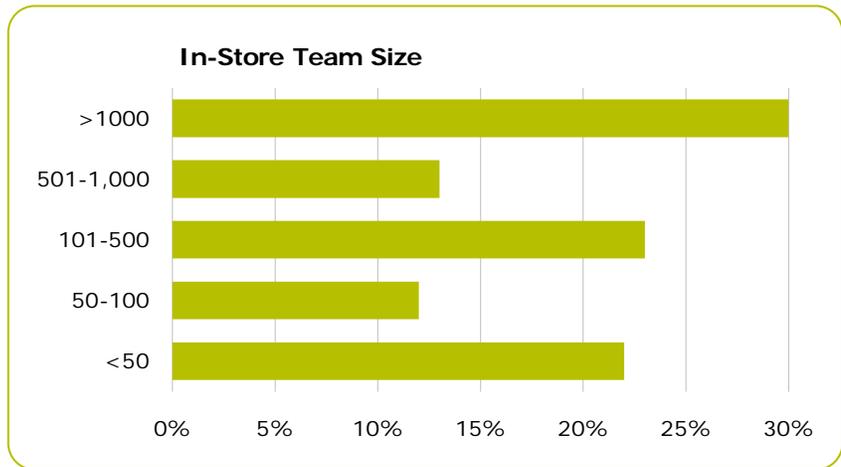
Survey respondents represented a cross section of industry sectors.

Companies included:

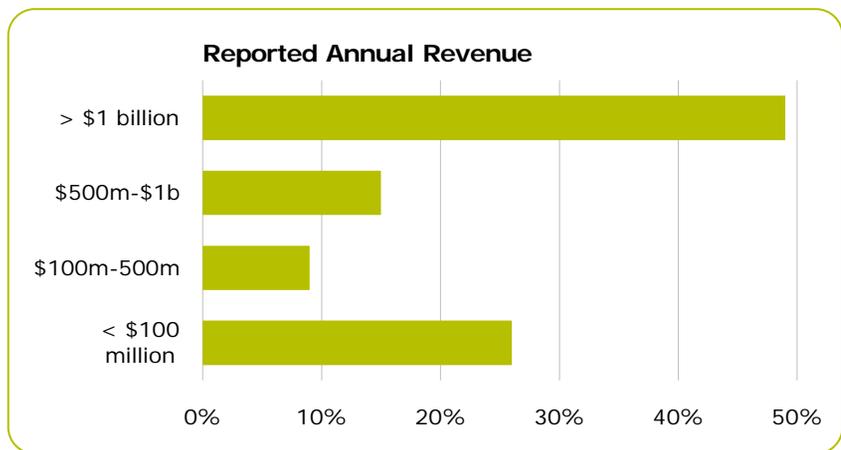
- Advantage Sales and Marketing
- Bayton SA
- Big Easy Chocolate, Inc.
- Black & Decker U.S. Power Tools Division
- Brushpoint Innovations Inc.
- Cadbury
- Campbell Soup Company
- Canada Dry Motts
- Daisy Brand
- Danone – Canada
- Dean Foods
- Diageo North America, Inc.
- Edge Sales and Marketing
- Hillman Group
- Kellogg Company
- Kimmie Candy Co.
- Kraft Foods
- L’Oreal
- Lance, Inc.
- Little Dish
- Makita
- Mars Information Services
- McCormick & Company, Inc.
- MTD Products Inc.
- Nestle USA
- Pharmavite LLC
- Sara Lee Corp.
- Tasty Baking Company

A total of 113 Consumer Products executives participated in the survey, representing perspectives from a cross-section of large and small CPG companies (see box, left). The respondent pool includes companies from all global regions. In line with its predominance in the market, U.S. companies formed the largest respondent segment.¹

In-store team sizes ranged from more than 1,000 field representatives (30%) to less than 50 (22%).



Reported annual revenue ranged from more than \$1 billion (49%) to less than \$100 million (26%).



¹ Results presented in this report are statistically significant for North America. While responses collected from EMEA and APAC regions concur with the data collected from American companies, the relatively smaller sample size does not satisfy analytical requirements for the same level of statistical significance.



Please indicate the priority of your in-store goals?

RANK PRIORITIES:

Merchandising compliance
 1 2 3 4 5 6 7

Reduction of out of stocks
 1 2 3 4 5 6 7

Promotional compliance
 1 2 3 4 5 6 7

Reduction in in-store time
 1 2 3 4 5 6 7

Increased sales
 1 2 3 4 5 6 7

Order entry
 1 2 3 4 5 6 7

Other
 1 2 3 4 5 6 7

Based on preliminary identification of correlations in the data, additional insights were gained by cross-tabulating primary responses with other independent variables.

Following is a selection of survey questions (and primary responses) that were selected for further cross-tabulation analysis to ascertain their impact on independent variables:

Which industry trend do you believe most impacts your ability to succeed in retail execution?

- #1: Limited visibility of trade promotion compliance
- #2: Increased presence of private label

Please indicate the priority of your in-store goals?

- #1: Increase sales
- #2: Merchandising compliance

Are you using technology to support your in-store strategy?

Yes	76.1%
No	23.9%

Which best describes today your company's use of technology in-store?

Only 15.5% report top two levels (effective, optimized)

Are you leveraging your captured data with analytics?

60% use Microsoft Excel

Are you achieving your target ROI for in-store programs?

No	20.9%
Don't Know	41.9%
Yes	37.2%

What best describes your company's deployment of in-store technology?

Only 24.4% report using a global standard system

Is your company considering investing in additional people or technology resources to support your in-store strategy?

71.1% plan to invest

If yes, in what areas?

94% plan to invest in new technology

4 Analysis Results

Not surprisingly, more than 50% of respondents said their top priority is to increase sales. However, specific trends are impacting in-store performance.

- 40% of the respondents identified limited visibility of trade promotion compliance as their chief concern, making this the No. 1 issue faced by both large and small companies.
- Slightly more than a quarter of the respondents believe that increased presence of private label products is impacting their execution at retail. In general, this was a concern expressed by the larger companies.
- 16% believe that reduction in retail staff on the shop floor is having a negative impact on their ability to execute.
- Additional responses indicate that companies consider in-store execution of promotions as more important than other in-store operations, including out-of-stocks and order entry. Following top-line growth, merchandising and promotion compliance were identified as the next important priorities.

Future investments in technology will be motivated by the need for efficiency and worker productivity.

- Companies planning future investments are focusing on system and process improvements related to increasing the effectiveness of:
 1. route optimization (30%)
 2. customer profiling/profitability (28%)
 3. tracking actuals vs. targets (26%)
 4. call productivity tracking (23%)
 5. POS integration (21%)
- Companies that are not currently using technologies are focusing investment around trade promotion compliance:
 1. workload modeling (43%)
 2. promotion compliance (non-RFID-37%)
 3. TPM integration (36%)
 4. price checks (32%)
 5. POS integration (30%)



Companies that invest in technology are 50% more likely to achieve their ROI targets for in-store programs.

A number of other challenges will need to be addressed as CPG companies plan to add capabilities.

- **System harmonization**

Most companies have a variety of platforms supporting their in-store operations. Only 24% of the respondents stated that they had standard in-store systems on a global basis. Most companies depend on localized systems.

- **Analytics**

Only 4% of the respondents are not using analytics systems; however, the other 96% are using a mixture of enterprise and desktop tools. Companies stated an intention to move toward standardized global software platforms with greater analytics capabilities.

- **ROI measurement**

Approximately 40% of the respondents do not know whether they are achieving ROI targets on their in-store programs, and another 20% know that the results fall short of the targets. Companies investing in technology are 50% more likely to achieve their ROI targets.

- **Lack of consistency in measuring ROI**

The survey responses indicate that CPG companies are using a wide variety of metrics in calculating the ROI from an event or program.

Experience shows that in-store system implementations face a variety of challenges.

- **Process issues**

Lack of common KPIs and reporting standards, misaligned cross-functional processes, and confusion or disagreement around governance.

- **Systems issues**

Cleanliness and integrity of data, and internal and external integration issues.

- **Organizational issues**

Personnel lacking the skills to adequately analyze data and model results, and low confidence in the integrity of data models.

Large and small CPG companies plan to continue to invest in in-store related technologies over the next five years.

Respondents reported a varied picture of current in-store sophistication levels.

- 16% manual (primarily paper-based systems and Microsoft Excel spreadsheets)
- 34% enabled (synchronized data between field and home office, territory management, basic call planning and execution)
- 34% efficient (customer data segmentation, actions distributed to field, management call plan and execution, call coverage monitoring)
- 16% optimized (customer data segmentation, actions distributed to field, management call plan and execution, call coverage monitoring)

The survey indicates that 75% of the respondents want to be in the Optimized category within the next five years.

In general, most of the respondents who consider themselves already in the Optimized category are large firms with a significant deployment of personnel in the field who are focused on direct sales and merchandising.

Almost 70% of the firms in this segment are using GPS capabilities; more than half are using the functionality to perform route optimization and sales rep tracking.

Roughly 60% of these respondents believe they are achieving their target ROI for in-store activities.

These firms are also the most likely to have a global standard.

5 Implications

The 2010 Industry Benchmark Survey paints a picture consistent with empirical evidence in the field.

Accelerating industry trends are sweeping a broad brush across the Consumer Products industry – companies large and small are seeing the landscape change around them.

Without exception, those participating in the study indicated a desire to utilize technology to improve in-store practices with the ultimate goal of increasing sales.

Clearly, the results indicate a movement – albeit at differing speeds – toward a future driven by global best practice, where automation is a means toward optimization (not an end in itself), where visibility drives incremental gains in productivity, and where robust analysis of field metrics helps companies focus on the bigger picture – winning at retail.



Quofores

Quofores is the world's leading developer of software solutions that help Consumer Products companies transform the effectiveness and productivity of their mobile field representatives.

In use by leading companies in more than 24 countries, Quofores solutions automate and optimize field sales, marketing, merchandising, van sales, and direct store delivery operations.

Working closely with customers, Quofores can demonstrate quantifiable increases in rep productivity, retailer compliance, brand performance, and revenue growth.

Today, Quofores is recognized by leading industry analysts as the premiere Top Tier company delivering retail execution solutions across multiple geographies.

For more information visit www.quofores.com



Quofores (kwō-for) derives from the Latin 'Quo' meaning 'to where, for what purpose, for which reason?' and 'fore' which means 'at the front'.

Quofores Americas

3355 Lenox Road, NE
Suite 1000
Atlanta GA 30326
United States
t +1 404 365 7700
e americainfo@quofores.com

Quofores Asia

#34-07, Centennial Tower
3 Temasek Avenue
039190
Singapore
t +65 6549 7848
e apinfo@quofores.com

Quofores EMEA

Atterbury Lakes
Fairbourne Drive
Atterbury, Milton Keynes
MK10 9RG United Kingdom
t +44 (0) 1908 843 622
e emeainfo@quofores.com

Quofores China

18F, Bund Centre,
222 Yan An Road East
Huang Pu District Shanghai
200002 P.R.China
t +86 21 6132 3840
e apinfo@quofores.com

Quofores Australasia

Level 20, Tower 2
101 Grafton Street
Bondi Junction NSW 2022
Australia
t +61 2 9386 1777
e apinfo@quofores.com

Quofores.com