The trouble with FMCG

By Marné Dirks

10 Mar 2020

What is trouble with the fast-moving consumer goods industry I hear you say? Well, we all know our economy is flailing, consumer spending is under pressure, input costs have spiraled, the competitive landscape is more challenging than ever and retailers are punching above their weight when representing their own brands on shelf.

Getty

I would agree with all of those reasons, but why then are the shelves empty? Why can I not find your product or see its price? Over the past two years, I have spent an increasing amount of time in trade and I find myself at a loss as to the level of execution manufacturers have allowed.

I know I am at the risk of being perceived overly critical and in pursuit of my own agenda. In my defense, this article has sat penned in my head for far over a decade which is the period of time I have been a keen observer of retail trade execution in general.

Skewed results

If one considers execution levels (some organisations call them sales drivers, key KPIs, must-win-battles) as a combination of brand availability, forward share, price visibility, RSP compliance and general points of interruption in store, then guess what most manufacturers will score on a sample of 250 outlets? Below 50%. Yip, no typo there.

I know this is not what your sales and merchandising force is telling you, but as they continue to mark their own homework, they will obviously skew the result of what you consider to be important. It is human nature. The issue is not how the number is skewed, but by how much. Typically reported scores will be in excess of 75% while in reality they are no more than half that.

Why would sales directors allow this? Because their jobs are dependent upon sales growth and visibility in the organisation at Exco level, and poor execution standards would mean that they would have to accept responsibility for it, and more importantly, fix it.

Very few individuals have the courage to lead in this way and therefore they prefer to report the significantly inflated numbers as supplied by their agents or internal sales force. Considering that the retail environment is the only source of revenue that we have collectively, this is a very dangerous strategy to follow.

Allow me to highlight a few other symptoms of what I see regularly in trade:

• Key KVI’s with a 'temporarily out of stock' label. I get it, I was on the manufacturing side before in my life as well…things happen. When there is a consistency of KVI’s across retail banners that are out of stock over a prolonged period then that is called poor execution.

• Poor promotional execution. National promotions with a 40% execution level after two weeks of it breaking. That 40% is on the high side by the way.

• We observe how execution scores peak towards the end of November and then literally plummet during December. Again, I get it – few supply chains can keep up with December demand, but did you know those scores take 6-8 weeks to stabilise post-peak?

• Category leading brands with forward share scores significantly below their market share. That is when they have an accurate source of forward share data and not claimed data by sales agents.

• If we agree that consumer spending is under pressure, then you will also agree with me that having an accurate price on shelf for your brand is imperative. PI labels for key KVI’s rarely reach a number higher than 80%.

• Displays, gondola ends and secondary points of interruption with little or no stock and no pricing.

• Inconsistency in execution leading to frustrated shoppers and consumers.

The list is frustratingly long and beyond the scope of one article. It’s easy to talk about, but what is the solution?

Execution transparency

Most FMCG manufacturers have some kind of execution tracking system or methodology, but unfortunately most of them rely on subjective input scores or data sources, poor communication and training and very little accountability.

Discussions with sales agents are based on small, inaccurate samples and subjective input. Sales agents are not rewarded and managed based on independent trade audits with robust samples, and where they are there is no punitive or reward system for execution achieved. Especially not at merchandiser and sales representative levels where it is most needed.

Why data technology can take FMCG marketing to the next level

Andrew Dawson 28 Jan 2020

Very few manufacturers have the courage to have bold conversations with retailers about their execution, and rebates and discounts and promotional spend is all but guaranteed from a retailer's perspective.

When using internally generated execution information which is highly skewed, retailer execution levels and promotional implementation is hidden anyway and it is therefore impossible to have a meaningful conversation with buyers. Don't be upset with them when they bank your trade spend if you cannot prove conclusively that you are not being treated fairly on shelf.

Given the importance of winning at the shelf and generating additional revenue and market share in store, I find it astonishing that so many manufacturers are comfortable to be in the dark about what is happening in their stores. If you are chasing an ever-increasing growth agenda, you probably have a couple of percentage points on getting the basics right on shelf - every day, all the time!

I leave you with the following food for thought from Ram Charan & Larry Bossidy's '*Execution, The Discipline of Getting Things Done*':

"In its most fundamental sense, execution is a systematic way of exposing reality and acting on it. It is the art of making things happen."

Do you know the reality of execution in your retail universe?

ABOUT THE AUTHOR

Marné Dirks is the founder of Executrac, a retail execution tracking firm specialising in South Africa's lucrative informal market. A 25-year veteran of the FMGC sector, he uses his retail expertise to help clients achieve profitable and sustainable sales growth.