

# **White Paper**

Lawson CRM for the Food and Beverage Industry

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## The Lawson CRM Solution

Lawson M3 Customer Relationship Management for the fast-moving consumer goods (FMCG) industry links an organization's product and trade marketing to its sales operations, and addresses the needs of both strategic planning and sales execution. The application suite effectively provides a complete solution for FMCG trade promotion management and sales execution, and will make a substantial difference for businesses in the FMCG sector.

### Better Promotions with the Right Brand Message

Lawson M3 Customer Relationship Management for FMCG enables our customers to secure and strengthen their brand values by ensuring that all trade promotions, campaigns and sales activities are executed with the right brand messages at all times. The solution empowers sales representatives by providing the tools required to manage their new roles in relation to retailers acquired in the changing marketplace, and maximizes value-added selling time by a higher degree of automation and improved decision support.

### Better Use of Time and Resources

Improved collaboration between account management, marketing and sales offers a significant reduction in non-value-added time, reduced lead times in the sales and marketing planning process, and a minimization of resource conflicts and prioritizations that are not in line with sales and brand strategies.

### Better Return on Promotion Investment

Customers gain an improved return on trade promotion spending by being able to synchronize their efforts through all sales channels and improve utilization of value-added promotion activities.

### CRM for the Food and Beverage Industry

With Lawson's in-depth knowledge and experience of the food and beverage industry, our CRM solution has been tailored to fit the specific challenges and characteristics of this industry. Lawson M3 Customer Relationship Management is available both to existing Lawson customers and to companies that use third-party ERP solutions.

## Lawson M3 Customer Relationship Management for the Food and Beverage Industry

The competitive environment for consumer goods manufacturers and brand owners is changing rapidly. Over the past decade, consumer goods companies have been caught between increasingly price-sensitive consumers and powerful retailers. Now even more pressure is being placed on these companies through the continued spread of private labels, more discounted retailing, and a shift in market power toward the consumer.

To meet these challenges, consumer goods companies are increasingly focusing energy and resources on their relationships with customers, consumers and retailers through customer relationship management (CRM). CRM is becoming an important part of consumer goods companies' long-term strategies to maintain their competitive advantage, defend their market position, and secure brand values.

Lawson M3 Customer Relationship Management for the fast-moving consumer goods (FMCG) industry links an organization's product and trade marketing to

its sales operations, and addresses the needs of both strategic planning and sales execution. The solution effectively provides a complete solution for FMCG trade promotion management and sales execution, and will make a substantial difference for businesses in the FMCG sector:

Our CRM solution for FMCG enables our customers to secure and strengthen their brand values by ensuring that all trade promotions, campaigns and sales activities are executed with the right brand messages at all times. The solution empowers sales representatives by providing the tools required to manage their changed roles in relation to retailers and maximizes value-added selling time by a higher degree of automation and improved decision support.

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Customers gain an improved return on trade promotion spending by being able to synchronize their efforts through all sales channels and improve utilization of value-added promotion activities.

M3 Customer Relationship Management, developed specifically for the food and beverage industry, is available both to existing Lawson customers and to companies that use third-party ERP solutions.

## Introduction

Over the past ten years, FMCG manufacturers and brand owners have been caught between value-conscious and price-sensitive consumers and powerful retailers. They have through these years developed a strikingly similar series of responses to cope with this situation:

- Focusing on strengthening the value in their premium brands in order to prevent retailer price cuts.
- Striving to reach productivity gains through initiatives such as outsourcing non-core activities, material utilization, centralized supply chains, and plant closures.

During this period, the FMCG industry has still outperformed many other industry sectors. According to "The McKinsey Quarterly" web exclusive of December 2004, anyone who would have invested every year from 1993 to 2002 in the top 50 consumer goods companies would have received an average 12 percent annual return on investment. Eight of the top ten companies of 1993 were still in the list of leaders in 2003, and almost in the same order, according to the report.

But now more pressure is being placed on consumer goods manufacturers through an accelerating spread of private labels (retailer-owned products/brands), which affects brand owner and manufacturer market shares and earnings. Continuing retailer consolidation is leading to increasingly discounted retailing, and the benefits gained by improving productivity and concentrating on core brands have to a certain level already been achieved.

How will consumer goods companies grow in the future? According to the cited McKinsey report, the following alternatives for consumer goods companies exist:

- Accelerate the inclusion of new capabilities in core functions.
- Respond to demands on value in industrialized countries driven by health awareness, convenience/change of life patterns, and other trends.
- Enter new service businesses.
- Develop new product categories.

Building capabilities into core functions is interesting because it relates directly to improvements in business processes and investments in IT solutions. For FMCG companies, key core functions are:

- Brand marketing
- Sales execution
- Innovation
- Supply chain management

Brand marketing effectiveness will be a big source of potential gains that will allow consumer goods manufacturers to coordinate the execution of their trade promotions and ensure wise and well-based trade spending—using the right sales channels, retailers and outlets, and targeting the right consumer segments.

Sales execution is a key area of improvement, one in which the solution enables users to manage their complete relationship with retailers as well as with their customers, thus ensuring brand value and promotion effectiveness.

In order to meet the new challenges in brand marketing and sales execution, we see how consumer goods companies are increasingly focusing energy and resources on their relationships with customers, consumers and retailers through customer relationship management (CRM). The 2004 edition of the “CIES Top of Mind” survey presented the views of 500 food business executives on the key issues for the year ahead. The fact that issues like retailer-supplier relations and customer loyalty consistently receive high scores clearly indicates a highly competitive environment.

#### What will be top of your mind in 2004

Issue	% respondents choosing topic	Ranking	
		2004	2005
1) Retailer-supplier relations (e.g. trade costs, products development, joint planning)	60.7	1	not included
2) Customer loyalty and retention	50.8	2	1
3) Technical standard/supply chain efficiency (e.g. ECR, GCI, RFID)	50.2	3	6
4) Food safety/security	49.6	4	2
5) Internationalisation of food retailing	47.2	5	3
6) Formats, services, assortment	41.6	6	5
7) The retailer as a brand	36.4	7	7
8) Global recession and consumer demand	31.6	8	4
9) Consumer health and nutrition	26.5	9	not included
10) Regulations (e.g. store opening, pricing, product labelling)	24.3	10	not included

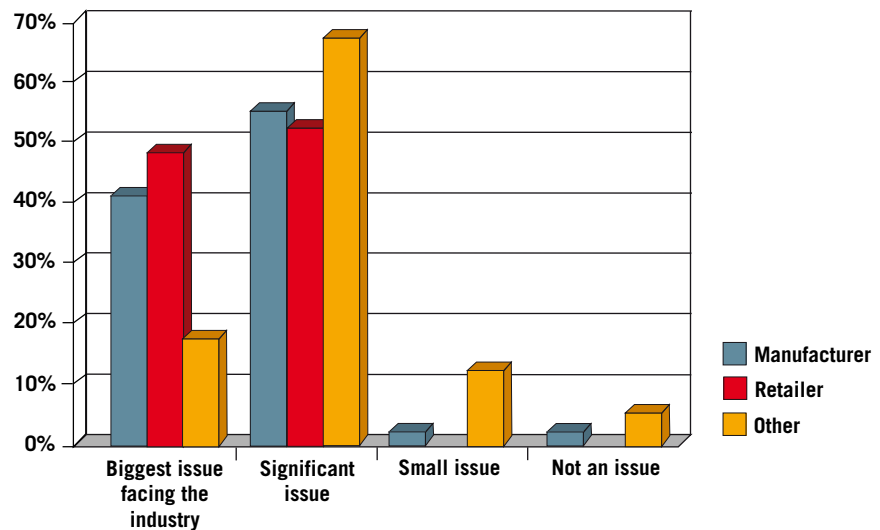
## New Strategies for Consumer Goods

One of the major headaches affecting the consumer product industry today is the exclusive focus on price and increasingly discounted retailing. That is an issue faced not only by manufacturers but also by retailers.

The focus on price is reflected by responses from consumer goods company executives in a survey presented at the ECR (Efficient Consumer Response) congress of 2005:

- 91 percent say they see a greater focus on price (2004) than ever before (2003).
- 93 percent also consider this focus to be either the biggest issue (35%) or a significant issue (58%) facing the industry.

It is important to note that this is not an issue for the consumer goods manufacturer alone. Retailers are actually more concerned than manufacturers with this exclusive price focus: 47 percent of this group, as compared with 41 percent of the manufacturers surveyed, said this is a primary issue for them.



Another factor that we can see operating in these results is that many categories and markets show a significant decrease in total profits. For example, the beverage market in Italy showed a 23 percent drop in total profits from 2000 to 2003, a decrease that affected manufacturers and retailers alike.

What decision makers in the consumer goods industry must also keep in mind is that even if total household expenditure on consumer goods products increased between 1994 and 2003, consumer goods' proportionate share of total household consumption decreased as compared to other product areas.

An important correlation to note is the connection between innovation and development on the one hand, and price stagnation or price cuts on the other. Innovations in and development of a category are likely to decrease in conjunction with price cuts. A category with no innovation becomes a commodity and is likely to have low prices and low margins.

## Joint Value Creation—A New Business Model

In order to drive sales and growth, consumer goods manufacturers need to get back to basics: understanding consumer needs and collaborating even more with retailers. They also need to provide category and product innovations beyond price—innovations that improve the shopping experience and are seen as adding significant value for the consumer. Consumer goods manufacturers must play a leading role in this if they want to stay at the top of their product category.

Value creation must be done in collaboration with the retailer and could even include joint initiatives with other categories. It must come through both actions and products, and must provide value for the shopper. Joint value creation involves:

- Understanding the shopper
- Joint promotion planning: Not just planning activities jointly, but also planning category strategy and joint return on investment
- Joint product development: Developing products that create added value for the consumer
- Pooling data: Using customer information jointly from sources such as POS data, loyalty cards and customer research to create sales strategies and customer plans and promotions
- Joint development of smart stores: This leads to category development and creates a better shopping environment.

Value creation is what will be needed for success in business in the future. This new business model will affect sales and marketing professionals' roles within the manufacturing sector:

From...	To...
A traditional approach based on internal strategies	A modular approach based upon the respective customer and consumer target group perspectives
A "conflict" approach An activities-focused relationship	A collaborative/transparent way of working A relationship based on shared goals and shared strategies for consumers and categories
Incremental improvements on promotions	Performance and absolute value delivered to retailers
Supplier-role driven activities and prioritization of own sales and brand growth	Category-role driven activities and prioritization of category in relation to the customer
A one-to-one (account-buyer) relationship	A many-to-many (multi-functional teams) relationship

## Promotion Effectiveness

An area affected directly by the new collaborative value creation model is trade promotion management (TPM). Consumer goods companies spend 10 to 30 percent of their total revenue on promotion, and are well aware of the difficulties in measuring the effectiveness of these promotions.

Promotion effectiveness is becoming more important than ever for consumer goods manufacturers, since several current trends in the industry have improved these companies' ability to stage successful promotions. A significant example is how recent years' manufacturer-supplier joint promotion planning has changed from being an activity with a budgeting and discount focus to being a win-win relationship with retailers. Promotions are increasingly based on promotion profitability and return on investment (ROI).

The internal trade promotion process is a source of potential gains. Traditionally, different functions have had somewhat different objectives and used different methods to assess promotion results:

Function	Promotion Objective	Questions
Sales	Lifting sales	How did we manage to distribute and execute the promotion?
Account management	Account satisfaction	Did the promotion improve my relationship with my accounts?
Productions	Promotions volume increase analysis	Were we able to forecast the right volumes?
Marketing	Promotions volume increase analysis	Did the promotion increase volume?
Marketing increase	Marketing awareness	How much did we market awareness or change buying patterns?
Marketing	Promotion spending effectiveness	Did we spend our trade Promotions funds effectively?

The different functions traditionally have developed different IT tools to support their work. These tools would normally be, for example, manual, spreadsheets and home-grown or third-party solutions. Such tools often operate in isolation rather than in an integrated and consistent manner.

## Spreadsheet Solutions and Their Limitations

Spreadsheets are not powerful enough tools to manage the planning of hundreds of promotions, particularly when you consider the volumes of information, the number of users and the demand for almost real-time updates.

**Account managers** need to be able to import and maintain products and account-specific assortments and price information from other systems in order to create the promotions.

**Sales management** needs to be able to manually add and maintain customer and territory data in order to plan promotions on the store and territory level. Simulation and optimization of the sales force with regard to promotions in order to secure proper distribution according to promotion objectives is virtually impossible in a spreadsheet environment.

**Brand and category managers** normally do not find any support in spreadsheet solutions to ensure that the correct guidelines and promotional material are paired with the correct promotion for the right account and at the right time. They end up having to find other, time-consuming and stand-alone alternatives to ensure this.

Not only does this create a time-intensive and fragile environment, but this situation also prevents account management, marketing and sales from working from the same plans, figures and facts. This too stands in the way of their being able to:

- Collaborate;
- Visualize plans to avoid sales resources and budget conflicts;
- Make correct prioritizations according to defined brand and customer strategies;
- Coordinate and optimize resource and promotion planning.

A spreadsheet-based approach to maintain a complete yearly plan of promotions is almost impossible to manage, and creates a chaotic working environment.

## New Roles for Sales Professionals

Traditionally, the sales force of a consumer goods company has been sizable in order to cover large territories and big retail store networks. The change in sales and marketing strategies affects these professionals in their day-to-day work.

For example, many companies have started to tackle trade promotion management (TPM) by looking at it strictly from a corporate perspective—demand planning, financials/budgeting, and brand and retail coverage. As companies are beginning to understand the gap between the promotional plan and the reality of the store and point-of-purchase area, they now focus on “the last 100 feet” of the promotion process, ensuring retailer execution. This means looking at how:

- Sales representatives and merchandisers participate in this process;
- Their roles will change;
- The company can help their salespeople do their jobs better.

## Current Solutions and Their Limitations

At these companies today, you do not find one standard type of solution, but rather a large variety of solutions ranging from best-of-breed sales force automation (SFA) solutions to paper- and pen-based solutions. Often you find SFA solutions that are not integrated with the back-office system and therefore do not share data such as customer, price, assortment and product information. Also, you often find that these current IT tools for the sales representative are focused on the traditional responsibilities as described above. These include basic capabilities to manage orders and customer visit plans together with some campaign activities.

The new situation will call for sales representatives to progress:

From...	To...
Taking orders	Taking on the role of category advisor
Managing store promotion and	<ul style="list-style-type: none"> <li>– Managing the store's assortment</li> <li>– Securing optimal brand exposure according to brand strategies</li> </ul>
Taking campaign orders	<ul style="list-style-type: none"> <li>– Advising on category projects</li> <li>– Making sure customers better understand, and make use of, brand messages</li> </ul>
Discussing deliveries and forecasts based on standards	Discussing and proposing orders and promotions based on profitability
Doing inventory checks in stores	Following up on product distribution ratios and space management compliance according to agreements
Discussing the next activities	Discussing customer plans

## Lawson M3 Customer Relationship Management for Fast-Moving Consumer Goods

This chapter presents the Lawson CRM solution for the fast-moving consumer goods (FMCG) industry. It explains the solution's scope and capabilities. It also describes the value delivered as seen from the customer's perspective.

### Solution

With a customer base of more than 350 consumer goods customers worldwide and a comprehensive application suite for the consumer goods industry, Lawson has now released an improved CRM suite tailored to meet the needs of the consumer goods industry.

The CRM solution will strengthen Lawson's offering to consumer goods customers, and will enable these customers to maximize their effectiveness in CRM areas such as trade and brand marketing and sales execution.

The Lawson CRM solution for the consumer goods industry is:

- A standard application in the Lawson M3 solution for sales force automation: Lawson M3 Customer Sales and Service
- An industry-specific CRM solution tailored to meet the needs of the FMCG industry
- A complete set of integrated applications for marketing, sales and service
- Giving consumer goods manufacturers the ability to integrate their promotion and brand strategies into operational sales and customer activities
- Integrated with the Lawson Food and Beverage solution, giving Lawson M3 customers one business environment
- Able to work as a stand-alone application, but is perfectly integrated with the Lawson M3 system

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