REVENUE GROWTH MANAGEMENT

"11 WAYS TO FAIL"

11 learnings of what (not) to do as observed over the 13 years we have supported FMCG companies with their revenue growth management strategies

accuris

18 / 2 Westland Place, London N1 7TT
+44 20 8144 9500
www.accuris.com

4 WAYS TO FAIL

01

Revenue Management is just for the RM team

Revenue management is your core business. It requires to be led by senior leadership and needs to be supported by all main functions of a company. Just like an empty hotel room or a half-filled passenger plane for those industries, missing out on a shopping trip can't be reversed and is inefficient use of your business platform.

02

It is all about increasing prices

Contrary to common believe, the biggest wins do not come from raising prices. While price adjustments may be a quick initial win for established brands, they also risk to alienate more shoppers in increasingly commoditised categories with hard discounters and private labels simply winning volume share faster.

03

Ignore *why* a shopper is shopping here and now

For decades companies have segmented shoppers with different brands, propositions and price points. Targeting different shopping occasions is, surprisingly, still relatively new to some companies. Replenishment shopping in a hypermarket needs a different offer vs fill-in shopping in a convenience store. Some retailer and suppliers are still offering a one size fits all pricing and promo offer and by doing so are leaving money on the table.

04

Ignore that shoppers switch between brands and stores

Some shoppers happily switch to a new product, a bigger pack size or a store with a big promotion. Others remain remarkably loyal. Targeting differentiated shopping behaviour is the main price of any revenue growth strategy. Currently very few companies have developed RGM programs that target shopping behaviour.

4 MORE WAYS TO FAIL

05

Shoppers switch between lower and higher priced items … ignore it!

With volumes flat, shoppers' switching behaviour is the most important lever for growing revenues. Programs must be aimed at making shoppers switch to a higher realised spend per unit, whether it is through a better product or channel mix, NPD, promotions or pricing.

06

What does your intuition say?

Measuring revenues from loyal shoppers as opposed to revenues from shoppers switching between brands or stores is a key requirement. Don't leave this to people's intuition. Big investments are made in making your own loyal shoppers switch and in preventing switchers from becoming loyal. It is a the biggest drain on net revenues and without explicit measurement no-one accounts for it.

07

Keep Customer Finance out of it!

For the revenue management function to be most effective, it needs to sit in Customer Finance. This ensures both the focus on growing revenue profitably as well as being close enough to see decisions actually being implemented.

08

BU's can continue reporting as before

Assigning net revenue objectives to each business unit (BU) is essential. Monthly reporting and a link to senior staff bonusses ensures progress. The majority of companies with revenue management roles do not have monthly reporting of proper KPIs.

EVEN 3 MORE WAYS TO FAIL

09

“Divide et impera”

Not in the case of a successful RGM. Functional silos are to be avoided and so are data silos. Only an integrated view of sales and marketing, across brands and channels allows to understand a company’s overall net revenue performance.

10

Assume trade customers will immediately implement your plans

Implementation at trade level is often a bottleneck. Revenue management can genuinely benefit both supplier’s and retailer’s bottom lines, but there may be a lot of negotiation and convincing involved. Annual agreements between parties or standard trading practices may mean that in some countries it takes longer time for results to be achieved than in others.

11

Invite as many people to voice their concerns

Less is more in this case. Setting trading terms and (recommended) consumer prices is a central part of any revenue growth program. We see better results where less departments are involved. Clear market evidence as seen by the RM team quickly gets watered down as more functions get involved. The less people are involved, the higher the revenue.