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JOINT BUSINESS PLANNING

“Creating Value TOGETHER”

INDUSTRY REPORT SPONSORED BY:
NACDS & The Partnering Group



The Partnering Group, Inc.

Executive Summary

Industry Findings

Not surprisingly the NACDS team found a tremendous amount of industry passion for JBP. The contributing companies in this work agreed that we must find better ways to engage with trading partners to unlock value. In fact, throughout the course of this project it became clear that JBP is as important to our industry today as category management was 20 years ago.

OUR SUB-COMMITTEE RESEARCH IDENTIFIED THE FOLLOWING KEY FINDINGS:

KEY FINDING #1

More Senior Level Engagement and Commitment is Needed.

IMPLICATIONS: JBP financial results increase when senior leaders support and encourage JBP efforts and hold teams accountable for results.

KEY FINDING #2

Interest in JBP is equally high for retailers and suppliers but currently executed by few.

IMPLICATIONS: Opportunity exists to further define and simplify the process to allow for more retailers and suppliers to participate, driving overall industry benefits.

KEY FINDING #3

Retailers Driving JBP for Competitive Advantage

IMPLICATIONS: Retailers are creating customized JBP processes but can benefit from an overall set of principles and structure in order to obtain maximum investment of resources, initiatives and thought leadership from supplier partners.

KEY FINDING #4

Leaders calling for more standardized metrics, scorecards and processes

IMPLICATIONS: Leading Retailers and Suppliers need to identify specific metrics which are used consistently as foundations of a common JBP scorecard, streamlining the work and allowing for scalability for suppliers and retailers.

KEY FINDING #5

Traditional planning time horizons are too short

IMPLICATIONS: Companies drive for 2-3 year horizons for JBP's that work well and truly transform the business and seek rewarding trade relationships that are able to meet these timelines.

KEY FINDING #6**Still “Breakthrough Innovation” is rare**

IMPLICATIONS: As JBP evolves more trading partners will migrate toward joint value creation opportunities, creating even greater competitive advantage.

KEY FINDING #7**Not all trading partners are created equally. Pick and Choose the most optimal partners.**

IMPLICATIONS: Companies will increasingly evaluate trading partners and then identify the level of strategic partnership for each one based on strategic and economic capability.

KEY FINDING #8**Differences in planning cycles and fiscal calendars exacerbate planning issues**

IMPLICATIONS: Retailers and Suppliers will continue to refine processes and expectations and adjust to meet mutual needs, most likely lengthening planning cycles.

KEY FINDING #9**Traditional planning structures need to change**

IMPLICATIONS: Companies will continue to reorganize around functional points of contact and retrain their workforce to adapt to new structures.

KEY FINDING #10**Competitive advantage comes through Trading Partner Customization**

IMPLICATIONS: Trading partners should work to understand all these various methods and templates/tools and utilize only those that work best for their particular situation.

JBP Defined***Simple Definition:***

JBP is a collaborative planning process between a Retailer/Distributor and a Manufacturer Supplier whereby both parties align on short and long term financial goals for their shared business and drive multi-functional initiatives for growth and profitability.

Key inputs:

- Shared shopper and marketplace insights as inputs into jointly defined strategies and initiatives.
- Collaborative working relationships (focused time & effort)
- Joint investment into breakthrough demand driving or cost-cutting initiatives.

ONE OF THE KEY TOPICS WITHIN OUR STUDY WAS TO IDENTIFY CHARACTERISTICS OF LEADING PRACTICE JBP'S

- **Senior Sponsorship: Multi-functional endorsement/engagement (both parties)**
- **Shopper-Centric: Develop Best in Class insights that enhance the shopper experience**
- **Value Chain Visibility: Review and optimize end-to-end**
- **Defined Dashboard: One version of the truth to assess, evaluate and monitor**
- **Productive Process & Policy: Alignment on what will (and will not) be shared**
- **Near & Long Term: Forward thinking planning (36+ months out)**
- **Strategic & Pragmatic: Jointly developed Strategies and Initiatives (with owners and timing) in a simple execution plan**
- **Robust Monitoring: Results are frequently reviewed as a multi-functional team**

Not all Categories and not all Customers are created equally and so, clearly, not all business plans should be treated the same!

Simple resource constraints and diminishing returns will dictate that some JBP's need to be planned more thoroughly than others.

- **FOUNDATIONAL LEVEL PLANNING:**

Get the basics right. Align on basic metrics of sales, spending, profit, etc.

Plan for upcoming new item introductions and necessary plan-o-gram adjustments, etc.

- **ADVANCED LEVEL PLANNING:**

Deeper planning. Foundation Level + more complicated analysis such as localized

assortment, supply chain/logistics efficiencies, shopper marketing programming.

- **LEADERSHIP LEVEL PLANNING:**

Highest level of commitment. Advanced Level + significant investment in high return activities

of joint value creation such as product innovation, equity building and joint products and services.

Key Components

Before you begin JBP with a trading partner you need to make sure you have all the right components in place. We call this getting your “house in order”. We identified four major foundational components which retailers and suppliers should each seek to develop before engaging in JBP discussions.

Companies who first take the time to develop these components are more successful in implementing full scale JBP programs. They enable your people to do the work effectively and efficiently.

JBP Strategy and Process

- **Organization Capability**
 - **Multi-Functional Team**
 - **Single Point of Ownership**
 - **Capability**

- **Scorecard & Insights**
 - **Common Dashboard**
 - **Shopper-Centric**
 - **Internal/External Benchmarking**

- **Collaborative Relationships**
 - **Senior Sponsorship**
 - **Information Sharing**
 - **Mutual Benefits**

- **Interface Systems & Data**
 - **Enabling Systems**
 - **Supplier/Customer P&L**
 - **Integrated Data**

Implement the Right Process

Once you have the four Key Components in place, you're ready to implement JBP. And, having the right process in place is critical as you engage trading partners for the first time. Figure 1 shows the recommended JBP process flow.

Figure 1: JBP Process Flow



Foundation:

The purpose of the Foundation stage is to prepare internally to start sharing effectively. Companies identify their own key goals and expectations. Start by going through a series of steps that provide a solid foundation of your corporate objectives, goals and strategies and defines what you are willing (or unwilling) to share and with whom.

Outputs

- Summary of Company's Objectives, Strategies and Plans
- Partner assessment tool completed with Key Implications
- Completed SWOT analysis of the jointly owned business
- Detailed business analysis for use in identifying key JBP Strategies/Initiatives

Discover & Align:

With a solid Foundation in place the next stage in the process is Discover and Align. This is the stage where trading partners share their corporate strategies, institutional knowledge, scorecards, SWOT analysis, key initiatives and unique capabilities with each other and, ultimately, align on joint initiatives. The main objectives and outcomes of the Discover & Align phase are:

- Understand the business opportunities and risks at the Retailer and Manufacturer
- Development of the common scorecard metrics
- Develop the common Strategies – the big ideas

The joint scorecard is critical to keeping teams focused on the right results. It is important to develop key metrics upfront, to help align each organization on what's most important. The metrics in Figure X represent the key areas that Suppliers and Retailers should be evaluating in their JBP work.

Initiative Planning:

Most of the real planning work takes place in this phase. Here teams work together to build the initiatives that support the strategies which they aligned on in the previous Discovery & Alignment phase. Teams jointly score, rank and prioritize potential initiatives and determine which ones are best to move forward with in order to achieve their joint goals and objectives. Teams will also estimate the financial performance of the initiatives to ensure they meet financial targets

Execution:

It all comes down to execution. Well thought strategies and proper planning are important but they can't produce results without flawless execution.

Main output of this phase are:

- Updated JBP scorecard
- Update of initiatives, work completed and status of key tasks

Monitor & Review:

Our industry moves "at the speed of retail" and trends can sometimes change on a dime. The main objectives of the Monitor & Renew phase are to:

- Review progress of key initiatives
- Discuss and remove barriers
- Make adjustments as necessary

Key Benefits

The benefits of JBP are numerous, both financially and organizationally. They can be classified into three main categories 1) Alignment, 2) Leverage, and 3) Increased ROI. And the benefits extend beyond retailer and supplier – the shopper wins also. JBP truly represents a win-win-win opportunity for all three.

Retailers report significant gains in sales, reductions in cost and the ability to more accurately plan down to supplier and up to the total store. Suppliers report sales gains, cost reductions and opportunities for more innovation and testing. By building and delivering on a bold JBP, industry partners can step change their businesses and truly gain those elusive synergies within our grasp.

Next Steps

NACDS encourages its members to use the tools within this report as a way to assess the current state of internal capabilities and the outputs of current planning work. By leveraging these tools, we believe you will move faster towards real business impact and we can create a leaner execution based on common understanding.

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