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JOINT BUSINESS PLANNING

“Creating Value TOGETHER”

INDUSTRY REPORT SPONSORED BY:
NACDS & The Partnering Group



The Partnering Group, Inc.

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Purpose of the report

Joint Business Planning is mission critical for today's consumer products retailers and suppliers. The consumer products retail industry is very competitive and companies are seeking advantage. Companies with a well-defined JBP process are able to formulate win-win plans and execute more effectively and efficiently by focusing their resources to areas of highest returns.

This report is written for retailers and suppliers who want to improve their annual planning process by working collaboratively with trading partners for mutual benefit. With billions spent annually on new product development, advertising and trade spending the stakes are high. This report, its recommendations and its toolkit are provided for information purposes only and their use offers no guaranteed financial or business outcomes.

The NACDS research indicates that most companies plan to continue or expand their JBP programs. Indeed, JBP is much more than negotiating promotion terms. JBP is about building trust and attracting more resources to areas of highest ROI by creating transparency and reducing risk. Leading, retailers are using these approaches, and, leading manufacturers are welcoming partners.

For retailers, this means defining their JBP approach and goals, making clear and transparent to manufacturers what to expect in the engagement. For manufacturers this means aligning strategically with retailers' processes, planning further ahead and bringing multi-functional capabilities. For both parties, executing leading JBP means driving creative initiatives far beyond the normal trading relationship knowing they can count on their partner's commitments.

Project Methodology

In response to overwhelming demand from its members, NACDS formed a sub-committee and a joint task force on Joint Business Planning.

This sub-committee met several times over a 5 month period. Industry experts were interviewed and JBP tools from The Partnering Group were submitted and reviewed to further discussion regarding leading practices. Business processes were examined, questioned, refined and optimized for deployment. The Partnering Group contributed approaches refined over 20 years of industry practice.

The goal of this report is to equip trading partners with industry leading methods and processes for joint business planning that will increase trust and alignment with simplification and speed as key outcomes.

Acknowledgements

About the National Association of Chain Drug Stores (NACDS)

The National Association of Chain Drug Stores represents the nation's leading retail chain pharmacies and suppliers, helping them better meet the changing needs of their patients and customers. Chain pharmacies represent more than 37,000 pharmacies, employ over 114,000 pharmacists, fill more than 2.3 billion prescriptions yearly, and have annual sales of nearly \$700 billion. Other members include more than 1,000 suppliers of products and services to the chain drug industry. NACDS international membership has grown to include 83 members from 23 countries.

For more information about NACDS, visit www.nacds.org.

About The Partnering Group

The Partnering Group (TPG) is a global strategy and general management consulting firm. Our mission is to build sustainable incremental value for leading retail and consumer product companies worldwide. For more than two decades, TPG has helped our clients identify and address their greatest challenges and opportunities in order to achieve maximum shareholder value. TPG is known for its ability to deliver pragmatic and achievable business solutions. This stems from our team's extensive experience as business leaders within many of world's most respected retail and consumer product companies. On average, TPG's Partners have over 20 years of experience in senior management positions prior to joining the firm.

ABOUT THE PARTICIPANTS

The NACDS Sub-committee assigned to this task force is comprised of the following member leaders:

SUPPLIER PARTNERS

Vince Burke – *Hallmark*
 Rob Catanzariti – *Pfizer*
 Ron Schone – *Pfizer*
 Janice Cooney – *Johnson and Johnson*
 Bill Graham – *Beiersdorf*
 Dave Jones – *Kellogg*
 Louis Martire – *Energizer*
 Steve Ebsen – *SC Johnson*
 Tim Quinn – *Mars Chocolate*
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 Peter Thompson – *Colgate*
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Industry Findings

Not surprisingly we 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 to us 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

More senior level engagement and commitment is needed, on both sides, to ensure accountability. This does not mean that senior leaders should focus their involvement in the details of the planning process. Rather, our research suggests three critical areas where senior leadership is needed.

First, we recommend senior leaders play an active role in kicking off the JBP process. This includes setting the stage, clarifying ground rules and being available as visible support for the process.

Second, senior leaders should make it clear that they approve all final JBP plans and authorize their implementation. This might take the form, for example, of senior leaders physically “signing off” on verified plans.

Third, senior leaders should participate in the JBP review and score carding process at least semi-annually or annually depending on level of seniority. Clear and transparent processes should be established and in place for best results.

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.

We found that most of the larger retailers and suppliers have been exploring, testing or are currently engaging in JBP in one form or another.

- Many suppliers have been actively engaged in JBP for several years now, mostly with their largest, or most strategic customers
- A few retailers have developed a formal JBP program

- Smaller players (retailers and suppliers) are still trying to gain traction
- All surveyed companies rate JBP as “highly important” and plan to increase efforts with most strategic trading partners

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

Participants agreed that retailers drive the most successful JBP programs. Suppliers are quick to adapt their internal processes and resources to retailers who provide a clear and transparent process for how JBP will work for their organizations. Leading retailers are creating a competitive advantage through their own custom JBP planning processes.

IMPLICATIONS: Retailers will create 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

There’s a powerful truth in the saying “you’ll get what you measure”. For years companies have developed internal scorecards and KPI’s (key performance indicators), but JBP uniquely focuses on both parties scorecarding their joint performance.

Unfortunately, there is no industry standard JBP scorecard. Trading partners are left to develop their own. This is difficult because trading partners are not always using the same metrics. And, even if they are, there are no common standard definitions or calculations for many metrics. For example, there are numerous ways to calculate fill rate or on-time arrival. Depending on whether you are a supplier or a retailer, you’ll most likely calculate them differently.

Scorecards are often not clearly defined in advance, review sessions often get derailed before they even get started, and valuable time is spent reconciling data sources and metric calculation. Our research showed that the planning process can sometimes differ significantly even within the same Retailer, making it difficult for even the most sophisticated Supplier to plan effectively.

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**

Real innovation takes time to plan, develop and implement. Consequently, a 12 month annual planning cycle restricts the quality and ability to develop real innovation. Our research shows that 18 or 24 months is more appropriate than a typical 12 month planning horizon in order to produce real, breakthrough innovation.

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**

Even though there are many pockets of good JBP work occurring, most programs fail to develop and execute true breakthrough innovation. While a basic plan with clear alignment of goals is a big win for many industry partnerships, only a few leaders are truly driving joint innovation in areas including supply chain, product innovation, co-branding, e-commerce, shopper marketing, and many others.

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.**

Given the lack of standard processes discussed earlier, it is not surprising, we found different levels of planning sophistication. Capabilities ranged from foundational planning (around assortment and trade promotion), all the way to industry leadership capabilities such as joint product innovation. We also found that leading companies segment their trading partners and invest more JBP time and resources into those companies who will yield the highest ROI.

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

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

A typical supplier planning cycle lasts several months and usually covers the next 12 months, typically a calendar year. By the time suppliers are finished planning it is often late fall. However, retailers, planning for the following year need input from suppliers well before that. Retailers are often looking

to plan starting in late summer or early fall and need time to incorporate supplier learning. These differences in planning cycles beg for solutions like JBP.

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

In traditional planning models most activities occur internally, within each separate organization. Retailer/supplier touch points are limited and are most often funneled through the buyer and seller. This structure creates a “positional based” negotiation relationship where one party “wins” and one party “loses”. The structure is very different with JBP. Here cross-functional teams meet frequently and work together toward common goals and objectives. This structure allows for mutual interests to be discussed based on their merits.

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

The goal of this report is to equip trading partners with a method and tools for effective joint business planning that will increase trust and alignment. The methods, processes and templates/tools contained in this white paper are meant as a guide to help trading partners better understand this work. We know that not all of these materials will be used across your JBP programs. The key point here is to clearly define your vision for a JBP program within your Company and then use the appropriate materials to develop & execute your plans.

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.

New Trends in JBP

JBP is a multi-functional undertaking that must respond to the changing forces of our industry. Increasingly, our industry is being shaped by the need for innovation, the expansion of omni-channel retailing and the utilization of Big Data.

Initially JBP was a financially focused exercise with some multi-functional participants (e.g. shopper marketing and supply chain) but leaders are going further.

Innovation:

Leading companies are using JBP as an anchor to work that involves fusing the supplier and retailer's abilities in developing and testing new products. Increasingly, JBP sessions are occurring in shopper labs where new concepts can be viewed in full scale or in 3-D format.

Omni-channel Retailing:

Both suppliers and retailers are responding to shifting consumer and shopper behavior. Smartphones are bringing digital and targeted marketing into the store. Showrooming and price checking are putting pressure on all of retail over time.

As retailers embrace omni-channel strategies they will seek to bring the power of their ecommerce and their stores together. Leaders are leveraging their JBP process to bring together their own ecom and stores leaders in concert with supplier thought leaders in digital (including social and mobile). This is creating a fertile ground for stronger and future proof initiatives.

Big Data and Advanced Analytics:

Our industry is awash with data but still struggling to harness it for better predictive power. It is becoming more common for leaders of advanced analytics within retailers and suppliers to spend time at the JBP interface.

This work is bearing fruit in the forms of JBP executions of optimized promotion, supply chain and even assortment.

Pharmaceuticals:

It is increasingly clear that partners can unlock more total sales by considering the impact of Pharmaceutical businesses on a total store business. By better planning this part of many retailer/supplier joint businesses, new opportunities are being uncovered. Pharma, OTC and total store sales are often deeply interconnected creating marketing and merchandising synergies and growth.

Wherever a major trend shapes our market, we believe that JBP will adapt to that challenge by bringing the work that must be done into one powerful and executable plan.

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.

So What Does That Really Mean?

JBP is all about sharing a deep understanding of trading partners' goal objectives and aligning on a shared vision, and working together to achieve this shared vision. It is easy to confuse JBP with a typical planning process.

What JBP Is	What JBP Is Not
<ul style="list-style-type: none"> • Joint “shared business” planning • Sharing of vital information to support creative problem solving and joint incremental investment • Challenges beyond the buying desk needing cross-functional and leadership support • Linking of corporate strategies • Understanding the shared shopper & consumer (Retailer brand and Suppliers brands) • Initiative scoping, selection and agreement • Strategic and longer term plans 	<ul style="list-style-type: none"> • Topics handled at a buyer/category manager level with account manager • Tactical trade negotiations • Category management planning • A “top to top” meeting • Short term or reactive • Promotion planning • Space planning design

Key inputs:

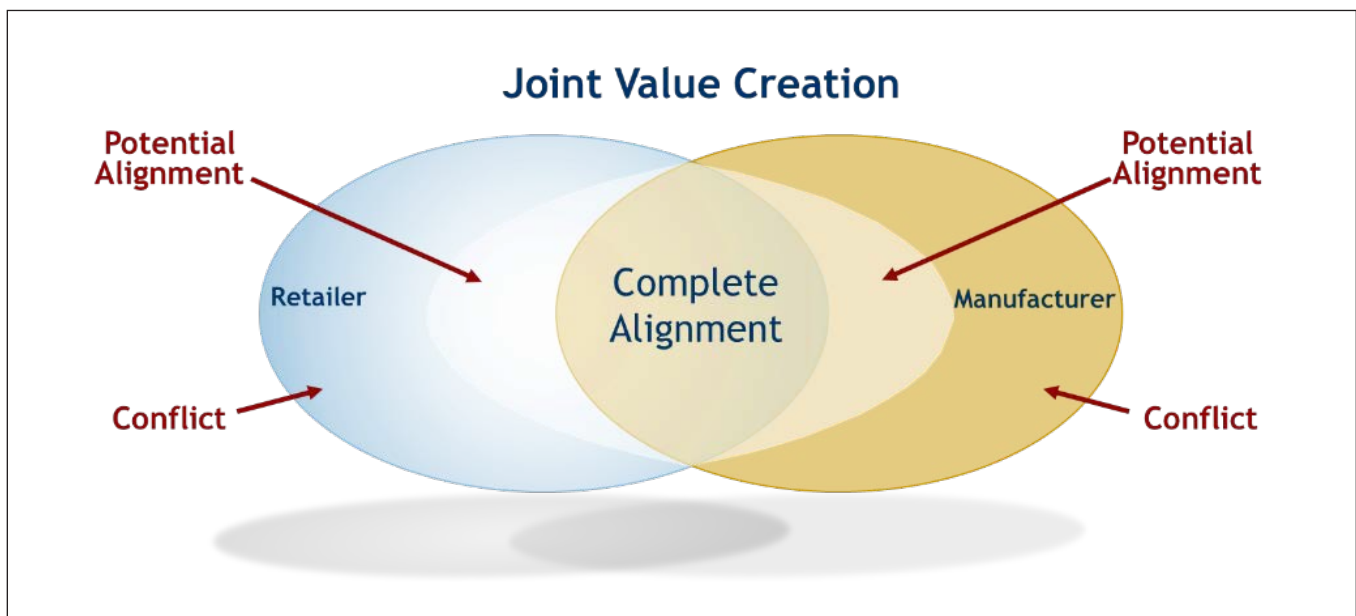
- Shared shopper and marketplace insights as inputs into jointly defined strategies and initiatives.
- Collaborative working relationships (focused time & effort)
- Joint investment into breakthrough demand driving or cost-cutting initiatives.

Characteristics of Best Practice JBP

- 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 in a simple execution plan
- Senior Sponsorship: Multi-functional endorsement/engagement (both parties)
- Robust Monitoring: Results are frequently reviewed as a multi-functional team

OPTIMIZING JBP THROUGH JOINT VALUE CREATION

- Joint Business Plan is the link between the two corporations
- It sets the framework for the two organizations to work together to deliver business growth and efficiency



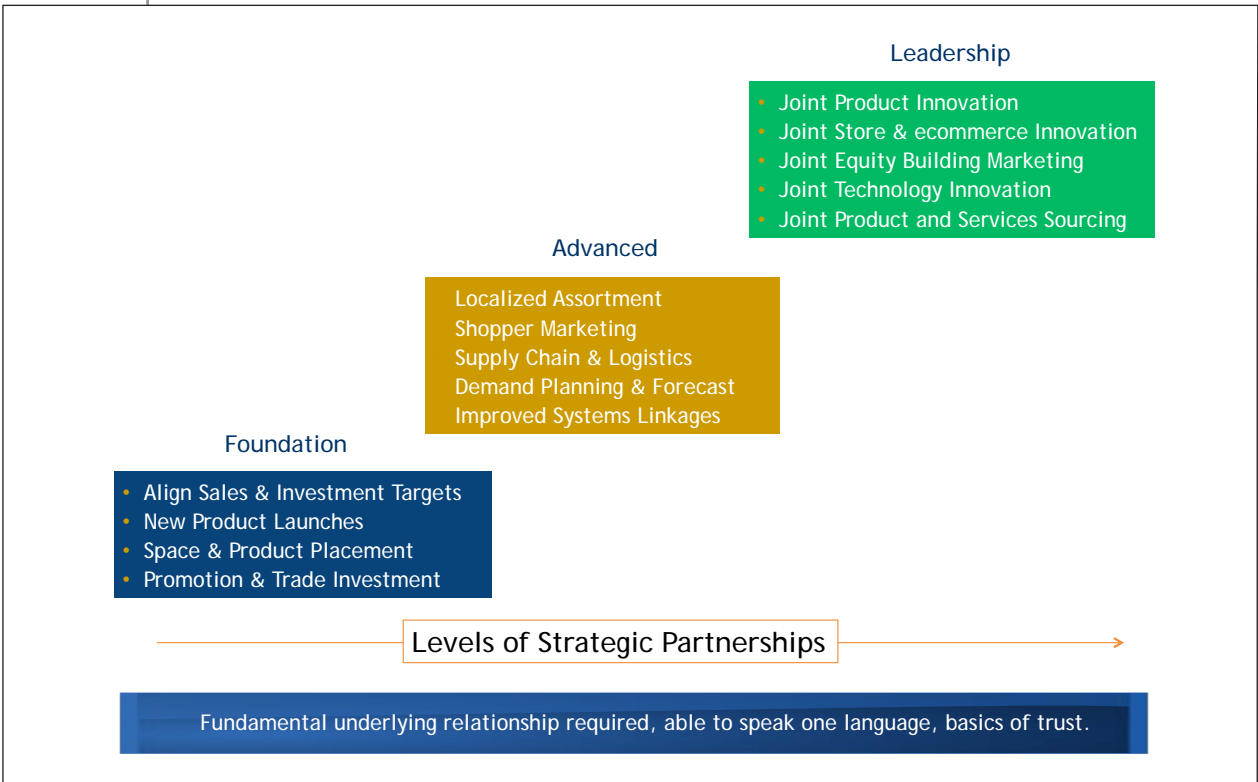
Levels of JBP

THREE LEVELS OF JBP

Not all Categories and not all Customers are created equally 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.



THREE LEVELS OF JBP

Tables A and B provide a deeper look at the types of things you'll want to share and the different levels of commitment to be established with different levels of trading partners.

For the most part retailers are defining these details. Each company is free to define this for themselves, the main point is to have a plan upfront.

Table A

Typical Criteria	Foundation (all other suppliers)	Advanced (mid 20 -30 suppliers)	Leadership (top 5-10 suppliers)
Shared Target Customer	Low overlap	Mid overlap	Strategic overlap
Presence or Leadership in high importance categories (for Retailer - Destination categories)	Low presence	Some presence	High presence and some leadership brands within high importance categories.
Overall level of innovation	Fast follower	Some innovation, mostly product centric	Innovation centered, innovations across store, supply, marketing and products.
Insights and People	Limited capabilities	Strong core capabilities, may be a blend of dedicated and central	Dedicated resources and custom insights regarding the retailer and their shoppers.
Scale of Business (dollars & units)	Small or mid size	Mid size or larger	Mid or larger
Trend of Business	Slower growth/flat	Flat/Some Growth	Growth, often growth that is new consumption or incremental to categories.
Commitment	Limited	Mid to High	Clear focus on the joint business

Table B

	Foundation (all other suppliers)	Advanced (mid 20 -30 suppliers)	Leadership (top 5-10 suppliers)
Components/Investments			
Key Leadership Retailer	DMM	VP Merch	President
Key Leadership Supplier	VP Sales	SVP Sales	President
Functions Involved Supplier and Retailer	Account Management, Buyer/Category Manager	Foundation plus... Marketing, Supply Chain	Advanced plus... IT, Innovation, Store Design, Finance
Planning Window	18 months	24 months	2-3 years
Scale of Initiatives	Assortment, Space & Product placement, promotion & trade investment	Localized Assortment, Shopper Marketing, Supply Chain & Logistics, Demand Planning & Forecasting, Systems Linkages	Joint product innovation, Joint store and ecommerce innovation, Joint Technology Innovation, Joint Products and Services Sourcing
Meeting Cadence	1 review per year	1 per year and quarterly updates	6 monthly plan updates and Quarterly Meetings
Data Sharing	Corporate Strategies, sales (units/dollars), inventory	Foundation plus... shopper research, market insights	Advanced plus... profit, custom research for retailer, ecommerce data

Key Components of JBP (Framework)

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. We found that 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. If you don’t have these components in place, your process won’t work as well.



ORGANIZATIONAL CAPABILITY:

The right culture, competencies, leadership



COLLABORATIVE RELATIONSHIPS:

Established trust and transparency with key trading partners



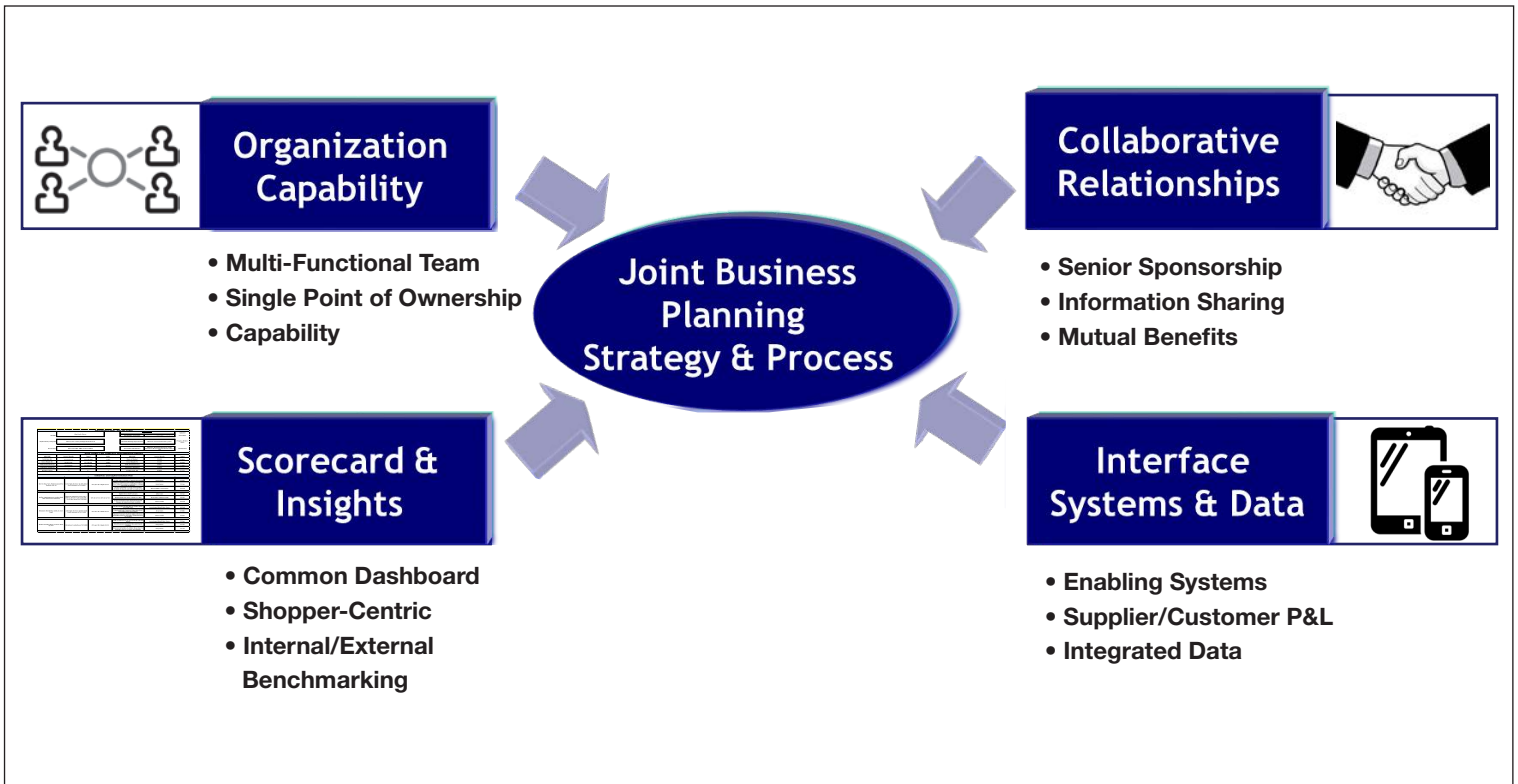
INTERFACE SYSTEMS & DATA:

Access and share data seamlessly across your organization



SCORECARD & INSIGHTS:

Established metrics, linked to transparent incentives.



ORGANIZATIONAL CAPABILITY (ROLES & STRUCTURE)

The first component is Organizational Capability. Before you launch a JBP program we recommend you confirm whether your organization has the right structure, skill set and culture to support it.

Ask yourself these key questions about your company:

- Is JBP seen by top management as a strategic imperative? Do senior leaders encourage and empower solution oriented thinking?
- What human resources are dedicated to the execution of JBP? Do you need to outsource any capabilities?
- Are cross-functional members of both parties involved? How connected? Do these functional teams communicate well within your organization, or do they operate in functional silos?
- Do the goals of JBP flow into the performance review, rewards and recognition of personnel?
- Are your job descriptions clear and well aligned with the skills required for JBP?
- How well do you rate your team's performance in JBP skillset?
- Do senior leaders encourage and empower people to think outside the box and develop new solutions?
- Does your company have a culture of sharing and working collaboratively?
- Do your people feel accountable and properly evaluated on these capabilities?



Helpful Tools & Hints

PREPARING YOUR PEOPLE

JBP is a new way of working for many people. And new ways of working can be daunting without proper training and education. People need to know what to do, how to do it, and more importantly, why it is so important. In our experience, companies who take the time to design, develop and train on JBP capabilities are most successful. It is highly recommended that companies create specific work flow processes and hold special training sessions before implementing a new JBP planning process. The same is true for trading partners. Retailers, for example, who launch a new JBP program often train their own employees first, but also hold special supplier training sessions to ensure consistency. Below is a summary that can be used to define roles and responsibilities so that people are clear on what is expected of them.

JBP - ROLES & RESPONSIBILITIES DEFINE THE RIGHT MIX FOR YOU

Supplier Roles & Responsibilities:

- Senior Leadership - Help break down barriers, drive alignment and agreement to plans
- Account Manager/Lead - Owner of sessions and project lead overall
- Category Management - Share Category Strategies & activities < 18 months; provide commentary and support to account
- Insights/Research - (Shopper, Consumer, Marketplace and Economic) - Provides key trends and insights that identify big opportunities
- Shopper Marketing- Differentiation through Shopper Programs/Merchandising (Ecommerce & Digital Marketing)
- Supply Chain - Logistics, service & other efficiencies that can be created via automation and or improved inventory management
- IT - Efficiencies that can be created via automation and or improved systems linkages
- Category Analyst - Work throughout the plan to ensure data required is extracted and organized

Retail Partner Roles & Responsibilities:

- Senior Leadership - Help break down barriers, drive alignment and agreement to plans
- Retail Merchant/Buyer - For key or critical categories, share Category Strategies & activities < 18 months; provide overall project direction
- Inventory Planning - Assist in identifying inventory wins for the partnership based on retailer needs and opportunities
- Insights/Research- (Shopper & Store/Region) - Provides key trends and insights that identify big opportunities
- Marketing - Provides overview of retailer's joint marketing opportunities/toolkit for suppliers, lead marketing initiatives
- Ecommerce & Digital - Provides a view to overall execution on retailer site and key ecommerce promotion calendar
- Supply Chain - Logistics, service & other efficiencies that can be created via automation and or improved inventory management
- IT - Efficiencies that can be created via automation and or improved systems linkages



Helpful Tools & Hints

GETTING STRUCTURED FOR SUCCESS

Before you engage in JBP with a trading partner make sure you are structured properly for success. You've heard the saying "even the best plans, if poorly executed, will fail". Failing to organize and structure yourself properly will lead to poor execution.

The leaders we spoke with unanimously recommended the following:

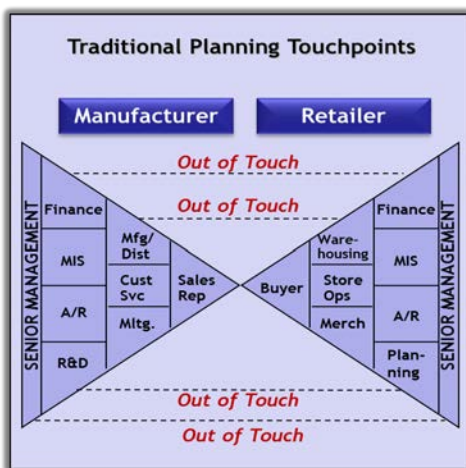
- Business teams need to be created to include cross-functional experts
- Business teams meet on a regular basis to review progress against pre-aligned goals and objectives
- Scorecards and agenda items are defined in advance so that the group remains focused and aligned

Figure 1 illustrates the pre-JBP, or traditional structure that many companies have adopted in the past. Here, all communication is funneled through a single touch point. This creates an atmosphere of "positional" negotiation where one party wins and one loses. Figure 2 illustrates the modern JBP structure found in leading companies today. Here, the company-to-company "wiring" connections are formed between functional experts. This structure allows for "interest-based" dialogue to occur.

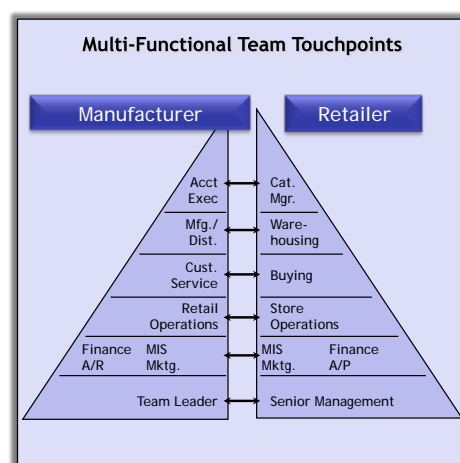
Figure 1

Figure 2

"Functional departments within our company do not talk to each other..."



"Experts talking to Experts"



You'll know you have completed the organizational capability component when you have successfully completed an internal skills assessment and confirmed that your organization has the skills and clearly understands their role and responsibility as it relates to JBP. Look for the ability to work collaboratively toward a common, shared solution, as well as senior leadership encouraging JBP work.



COLLABORATIVE RELATIONSHIPS

The second component is having strong senior level collaborative relationships, especially with their trading partner counterparts.

Ask yourself these key questions:

- Do both parties work in a collaborative & entrepreneurial manner?
- Are both parties able to handle key transactional discussions in a way that avoids slowing JBP work?
- Are both parties committed to “lean forward” investments?
- Do senior leaders engage with trading partners in collaborative discussions? Do they “walk the talk” of JBP without sending mixed signals where they say one thing, but do another?
- Are senior leaders willing to share important information about future trends and information on upcoming development projects? Are they willing to participate in interest based, solution oriented discussions where both parties win?



You'll know you have completed the Collaborative relationship component when functional counterparts work together to solve issues in an interest based manner. Senior leaders encourage regularly sharing of upcoming developments and trends and collaborate on possible joint initiatives.



INTERFACE SYSTEMS & DATA

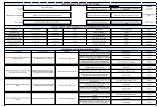
The third component is having systems that support JBP, making it easier, faster, more accurate and more insightful. Current leaders reported their processes are still not fully automated and they have concerns with document complexity and version control. They lack automated scorecarding and flexible roll up capabilities which should be intuitive and easy to use, allowing people to quickly and easily assemble information into meaningful insights and share it with trading partners. Suppliers should have a cost-to-serve program and customer P&L's easily accessible. Retailers should be able to track performance by category, segment and supplier. Trading partners should be able to meet frequently with confidence that their data is accurate and that they are each relying on "one version of the truth". They should not spend a lot of time discussing data accuracy. In addition to having a strong system in place it is important to be armed with the right data.

Ask yourself these key questions:

- What direct data access tools are shared between the partners?
- What data/analysis is available to share with key partners to jointly understand the shopper, sales trends, marketplace, etc.?
- How flexible are your information systems and how well do they provide the necessary information and insights to key decision makers?
- How satisfied are key users with the ease of use in their daily functions?
 - Are your systems integrated or do they require a lot of manual adjustment?
- Are your systems trusted for accuracy, or do analysts have to double check source data?
- Have you conducted a capability assessment to determine any weaknesses or opportunities?
- What projects are in the pipeline to enhance integration?



You'll know you have completed the Information Systems component when your business teams can quickly and easily assemble the information they need make insightful decisions and run JBP scorecards.



SCORECARD & INSIGHTS

The last component for JBP is a clear and transparent scorecard. Scorecards are an essential component to the success of any joint business planning program. The most successful JBP programs establish a common scorecard at the very beginning of a planning period so that teams know exactly how they will be measured. To avoid confusion scorecard metric calculations are transparent and defined upfront, so people understand exactly how their performance will be evaluated. The metrics tracked should be balanced and include a broad range of sales, share, financial, and supply chain metrics.

Goals and objectives are signed off by the senior leaders of both trading partners in order to avoid any ambiguity. Scorecards should be simple and easy to read. As with information systems, scorecard should be readily available.

Ask yourself these key questions:

- What common approach is used to measure the value, execution and key targets/gaps within the joint business?
- Is this shared in a transparent way?
- Is the scorecard easy to compile and disseminate?
- Does the scorecard have balanced metrics? Sales, Profit, Supply, Shopper, Market?
- What approach is in place to develop category plans that deliver on the corporate strategy of the retailer and are driven by Shopper Insights?
- How clear are corporate shopper segments?
- Who is the current core/target shopper? How does the retailer uniquely meet their needs?
- Have you identified the key metrics by which you can measure JBP success?
- How does the scorecard you set flow into the way people are rewarded and recognized?



Helpful Tools & Hints

Try to keep scorecards simple like this example

Joint Business Scorecard Manufacturer X at Retailer Y	Supplier \$\$ Market Share % Index vs PY		Retailer \$\$ Market Share % Index vs PY		\$\$ Sales Index vs PY		Unit Sales Index vs PY		\$\$Trade/ Shopper Marketing Spend Index vs PY		% Cost Index vs PY		Days of Supply Index vs PY	Inventory to Payables Ratio Index vs PY		Fill Rate		Shopper Satisfaction Score (for major department)	
	13	14 YTD	13	14 YTD	13	14 YTD	13	14 YTD	13	14 YTD	13	14 YTD	14 YTD	13	14 YTD	13	14 YTD	13	14 YTD
Category x	(3.5%)	5.8%	(4.5%)	7.8%	(4.5%)	7.8%	(1.1%)	12.4%	(1.1%)	12.4%	(1.1%)	4.9%	2.6%	(3.3%)	14.2%	88.8%	88.0%	(7.1%)	(4.2%)
Category x	(12.1%)	(10.0%)	(14.1%)	(11.0%)	(14.1%)	(11.0%)	(12.0%)	(10.7%)	(12.0%)	(10.7%)	(17.3%)	(14.5%)	(5.1%)	(13.6%)	(11.3%)	88.8%	88.0%	4.9%	2.6%
Category z	(0.6%)	(1.1%)	(0.6%)	(1.1%)	(0.6%)	(1.1%)	4.1%	1.6%	4.1%	1.6%	(7.1%)	(4.2%)	39.0%	(0.0%)	(6.6%)	88.8%	88.0%	(14.5%)	(5.1%)
Region or Banner	(4.5%)	7.8%	(4.5%)	7.8%	(4.5%)	7.8%	(1.1%)	12.4%	(1.1%)	12.4%	(1.1%)	4.9%	2.6%	(3.3%)	14.2%	88.8%	88.0%	-	-
Region or Banner	(14.1%)	(11.0%)	(14.1%)	(11.0%)	(14.1%)	(11.0%)	(12.0%)	(10.7%)	(12.0%)	(10.7%)	(17.3%)	(14.5%)	(5.1%)	(13.6%)	(11.3%)	88.8%	88.0%	-	-
Region or Banner	(4.5%)	7.8%	(4.5%)	7.8%	(4.5%)	7.8%	(1.1%)	12.4%	(1.1%)	12.4%	(1.1%)	4.9%	2.6%	(3.3%)	14.2%	88.8%	88.0%	-	-
Total Direct to Consumer	(0.6%)	(1.1%)	(0.6%)	(1.1%)	(0.6%)	(1.1%)	4.1%	1.6%	-	-	(7.1%)	(4.2%)	39.0%	(0.0%)	(6.6%)	-	-	-	-
Total Stores	(14.1%)	(11.0%)	(14.1%)	(11.0%)	(14.1%)	(11.0%)	(12.0%)	(10.7%)	-	-	(17.3%)	(14.5%)	(5.1%)	(13.6%)	(11.3%)	88.8%	88.0%	88.8%	88.0%
TOTAL BUSINESS	(11.0%)	(12.0%)	(11.0%)	(12.0%)	(10.7%)	(12.0%)	4.1%	1.6%	4.1%	1.6%	(12.0%)	(10.7%)	(12.0%)	(10.7%)	(17.3%)	88.8%	88.0%	-	-



You'll know you have completed the Information Systems component when your business teams can quickly and easily assemble the information they need make insightful decisions and run JBP scorecards.



SCORECARD & INSIGHTS

Build an Insights Library

As a part of getting your house in order it is strongly recommended that you build a library of insights and data which can be used to draw upon when preparing for a JBP, or as a go-to resource when JBP is in process. This is helpful to organizations in several ways:

- Clarifies what content is, and is not approved to share outside the organization
- Speeds up the search and location of critical information
- Provides a helpful “checklist” to ensure complete sharing



Helpful Tools & Hints

As shown below, the insights library starts with examining the three stages of path-to-purchase Desire, Decide and Delight. Pose critical business questions which are specific to your product and category, and gather the insights to answer these questions into a single repository or Library.

Desire:
Generate Purchase Intent



Delight:
Consumption Moment

2

Decide:
Prompt
+
guide the
Purchase Moment

3

Research Questions	Methodology			
	Focus	FD	Use/In	Survey
Do SMBs search on any pre-purchase online searches or is this for higher involvement categories only? If so, when and at what frequency?	✓	✓		✓
What specific information are SMBs searching for and how do they use the information? Is the SMB searching for price or other benefits?	✓	✓		✓
Where do SMBs search and what content, i.e., Google, ratings & reviews, trade pubs, competitive websites, manufacturer sites (brand sites or retailer sites (circuit city, craigslist.com, walmart.com)?	✓	✓	✓	✓
What influence, if any, do ratings & reviews have on SMB purchase decisions?	✓	✓		✓
What marketing media do SMBs respond to with our categories?	✓	✓	✓	✓
Which have the greatest impact on their purchase selection: online banner ads, ratings & review sites, product sites, videos or other?	✓	✓	✓	✓
What other market media prompts them to go online?	✓	✓	✓	✓
Do SMBs take advantage of online offers or respond to them?	✓	✓	✓	✓
What makes SMBs purchase online vs. going to the store? Does the incentive of free delivery influence online purchase?	✓	✓		✓
What percentage perform online research and then go to the store to try or pick up?				
Why do they research online before they buy or pick up in store?				✓
What prompts a SMB to go online, i.e., QR Code?				✓
What is the potential for online? Are there SMB members who are online surfing but currently don't do any research on our categories?				✓
How much do SMBs use online social media, i.e., Facebook, Twitter?				✓
How much of an influence is social media in influencing or deciding to purchase westcoastfranchise.com's items?				✓
Besides online, what other vehicles influence SMBs trip to the store, i.e., gas, access to car?				✓

Business questions & insights linked to the Path-to-Purchase

The Insights Library

Results in *Insights and Solutions* organized into a library

JBP Strategy & Process

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 facilitates success as you engage trading partners for the first time. Figure 3 shows the recommended JBP process flow.

Before implementing JBP across your entire organization we recommend a pilot to start, just to make sure your own detailed version of the process is smooth. The people we spoke with stressed laying out the process framework in advance at a kick-off meeting to give participants more confidence and a greater sense of alignment.

Figure 3: JBP Process Flow



Foundation:

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.

STEPS

1. Document the shared information regarding corporate objectives, goals, strategies
2. Clarify own company's key marketing, promotion and supply chain plans
3. Utilize assessment tool to select right JBP partners
4. Conduct SWOT analysis for key partners
5. Conduct business analysis around a number of key areas:
 - Sales & Profit
 - Category & Market Trends
 - Shopper analysis
 - Supply Chain
 - Marketing
 - Systems and Technology

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

Outputs listed for illustrative purposes only, each explained in detail later.

Foundation:

DOCUMENTING STRATEGIES, GOALS & OBJECTIVES

A lot of internal work goes into understanding and defining a corporate strategy. Not everything is shared externally so you'll want to create a set of documents that are releasable to trading partners.

For retailers this means refining corporate strategies, defining corporate shopper communication strategies and store format strategies. Retailers should be able to effectively and efficiently share their plans for winning with shoppers, shopper marketing platforms, etc. in ways that invite and encourage suppliers to engage and invest. Retailers should be able to set initial expectations for category growth and share this with suppliers so they can plan accordingly. Lastly, Retailers will want to conduct an internal SWOT analysis and trading partner segmentation exercise and develop a tiered strategy to lay the foundation for JBP programs that make sense for them.

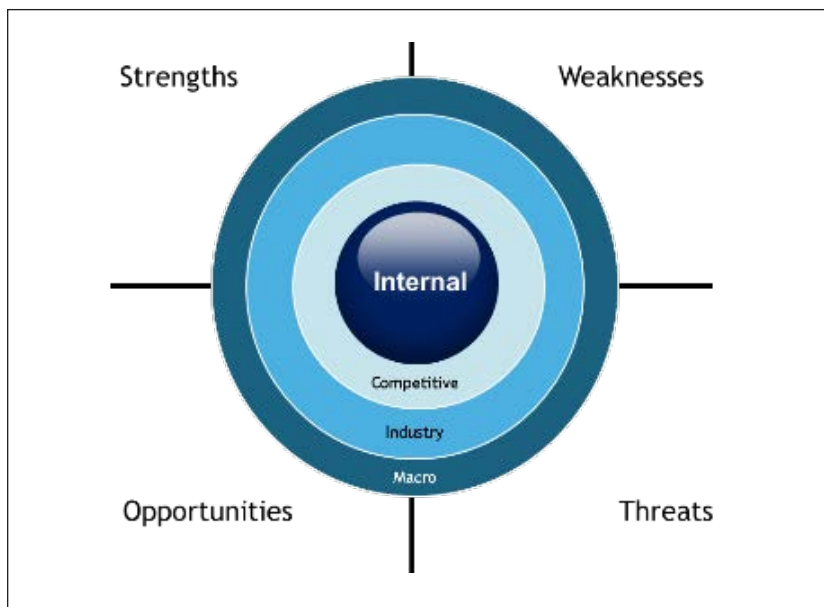
For suppliers this means developing their own corporate strategies by identifying and understanding their product's consumer value proposition and unique selling features. Suppliers will want to conduct an internal SWOT analysis and develop well thought out category leadership plans. This includes developing a repository of the necessary consumer learning and developing "ownable" shopper marketing platforms. Lastly, suppliers will also want to conduct an internal trading partner segmentation exercise and develop a strategy for each level.

	Retailer	Manufacturer
Corporate strategy	Retailer key differentiators, category roles, target shopper, store location/format, price/promo, assortment, private brand, supply chain, marketing strategies and initiatives.	Understand Manufacturer key differentiators, target shopper, price/promo, assortment, supply chain, Marketing strategies (including Digital) for entire company, Ecommerce plans.
Selection Criteria	Gather and review metrics and criteria which measure the execution, value and capabilities of Trading Partners allowing for identification of the levels strategic partnerships.	
Selection Model	Select and prioritize trading partners based on level of strategic partnership. Note: See "helpful hints" section for examples of helpful selection models.	
Budget targets	Break down corporate targets to the key categories and specific brands owned by the partnering Manufacturers.	Break down corporate targets to the key categories driven by the partnering Retailers.

Figure 4 shows an example of a JBP Partner Assessment model that can be used to help identify which level of strategic partnership is appropriate for potential partners. Make sure you clearly identify which partners are at which level before you commit to a JBP process with anyone.

Figure 4

JBP PARTNER ASSESSMENT		Disagree 1	Neutral 2	Agree 3
The Basics	Consistent and responsive handling of basic daily activities, order processing, invoicing, payments	1		
	Flexible and reactive to changing requirements in line with business priorities		2	
	Promotions are well planned, a promotional calendar is agreed		2	
	Promotions & in-store activations are implemented to plan, - consistent reviews			3
	Consistent planning and execution of new products - line forms completed, forecasts shared, distribution	1		
Collaborative Relationship	Sound knowledge of each others strategic direction, which is integrated into planning processes	1		
	Senior management has top-to-top meetings			3
	Strong relationships exist across multiple functions and different levels of seniority		2	
	Joint business plans have been developed with mutually acceptable conditions	1		
Financial Management	Understand each others commercial/economic model and KPI's & negotiate accordingly		2	
	Systems exist to effectively collate all data in-line with joint scorecard	1		
	Regular review of jointly agreed KPIs, which form part of joint business plan		2	
Data & Insight	Access to a balanced range of market, sales & shopper data and processes in place to share across	1		
	Invest in data and insight to enable better decision making		2	
	Systems and resources in place to analyse and interpret data into actionable steps		2	
Category Management	In-depth understanding of the total category and its future trends, insights shared openly		2	
	Sharing of robust category vision and category strategies that can be executed	1		
	Development of category plans and tactics by region / format / channel	1		
	Ability to implement and review category projects, and input learnings to future projects	1		
Supply Chain Management	Track record of collaboration on supply chain management	1		
	Metrics that are relevant to both parties are used to measure supply chain performance	1		
	Commercial and supply chain teams work together to manage efficient supply of promotions	1		
TOTAL SCORE				34



SWOT

SWOT is critical to understanding the levers and opportunities within joint business plans. Each party should complete this in advance as if both parties were 50/50 owners in a single business.

Strengths and weaknesses often relate to internal capabilities of an organization. Opportunities and threats often relate to external factors. When completed the SWOT should address internal, competitive, industry-wide and macro factors such as legislative or other environmental factors in the competitive ecosystem. Use these guidelines when completing SWOT analyses:

STRENGTHS:

Consider this from the internal point of view of staff and from the external view of shoppers and trading partners in relation to competitors. For example, if all competitors provide the same thing then this is not a strength. Address questions such as:

- What does the company do better than anyone else?
- What unique capabilities exist, especially those that are difficult to copy?

Thought starters: Innovation, Technology, Processes, Thought Leadership, Cost Advantage, Critical Assets

WEAKNESSES:

Again, consider this from an internal and external point of view. Be realistic and truthful in your evaluation, even if this is difficult to do, especially if others recognize these weaknesses. Address questions like:

- What disadvantages exist?
- What are other companies winning at?

Thought starters: Aging Technology/Processes, Lack of Innovation, High Cost, Lack of Critical Mass

OPPORTUNITIES:

Review weaknesses and ask whether these open up any opportunities. Address questions such as:

- What are the root causes of your weaknesses?
- Can you fix those root causes?
- How are other companies winning and can this be replicated?

Thought starters: Changing consumer preferences/trends, advances in technology, changes in marketplace

THREATS:

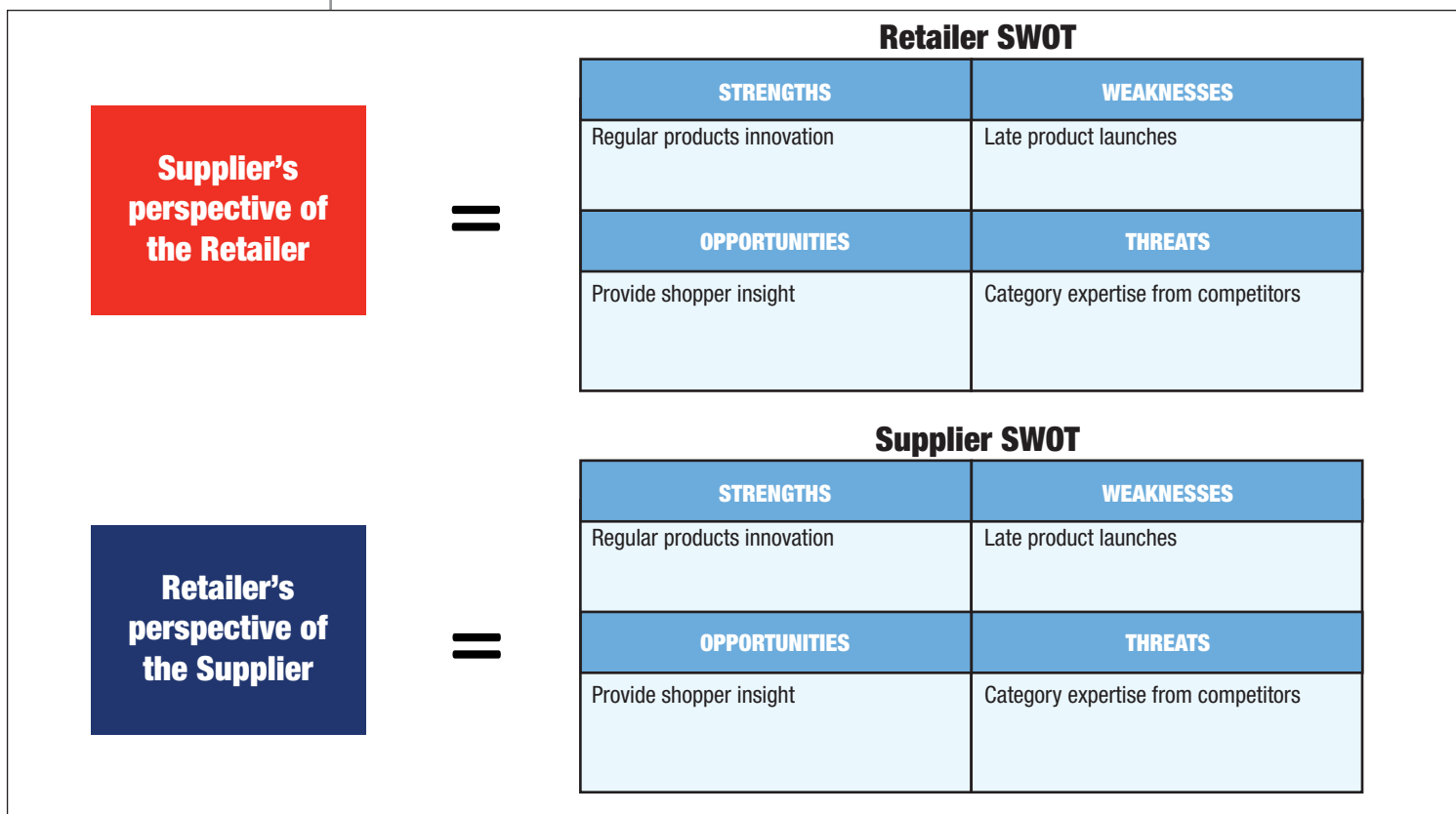
Review competition, industry trends and macro environment. Address questions such as:

- Will competitors be able to build an advantage for themselves?
- Are any changes to the competitive landscape on the horizon?

Thought starters: Changing consumer preferences/trends, legislative threats, economic threats?

TWO PERSPECTIVES

It is important to conduct SWOT analysis from the perspective of both the Retailer and the Supplier separately at first and then combining them through group discussion. This provides a deeper and richer analysis by incorporating multiple views and perspectives. It also serves to level set supplier and retailer and their views of one another. This step is crucial for starting off on the right foot by identifying and inconsistencies and by aligning on a common viewpoint.



You'll know you've successfully completed the "Foundation" stage when you can do the following:

- 1) Your organization can clearly articulate your corporate strategy to trading partners in a way that allows them to best engage with you in JBP.
- 2) You have completed the necessary foundational learning and insights needed for JBP.
- 3) You have completed the identification of the level of strategic partnership for each trading partner.
- 4) You have developed a trading partner scorecard
- 5) You have completed a joint SWOT analysis.

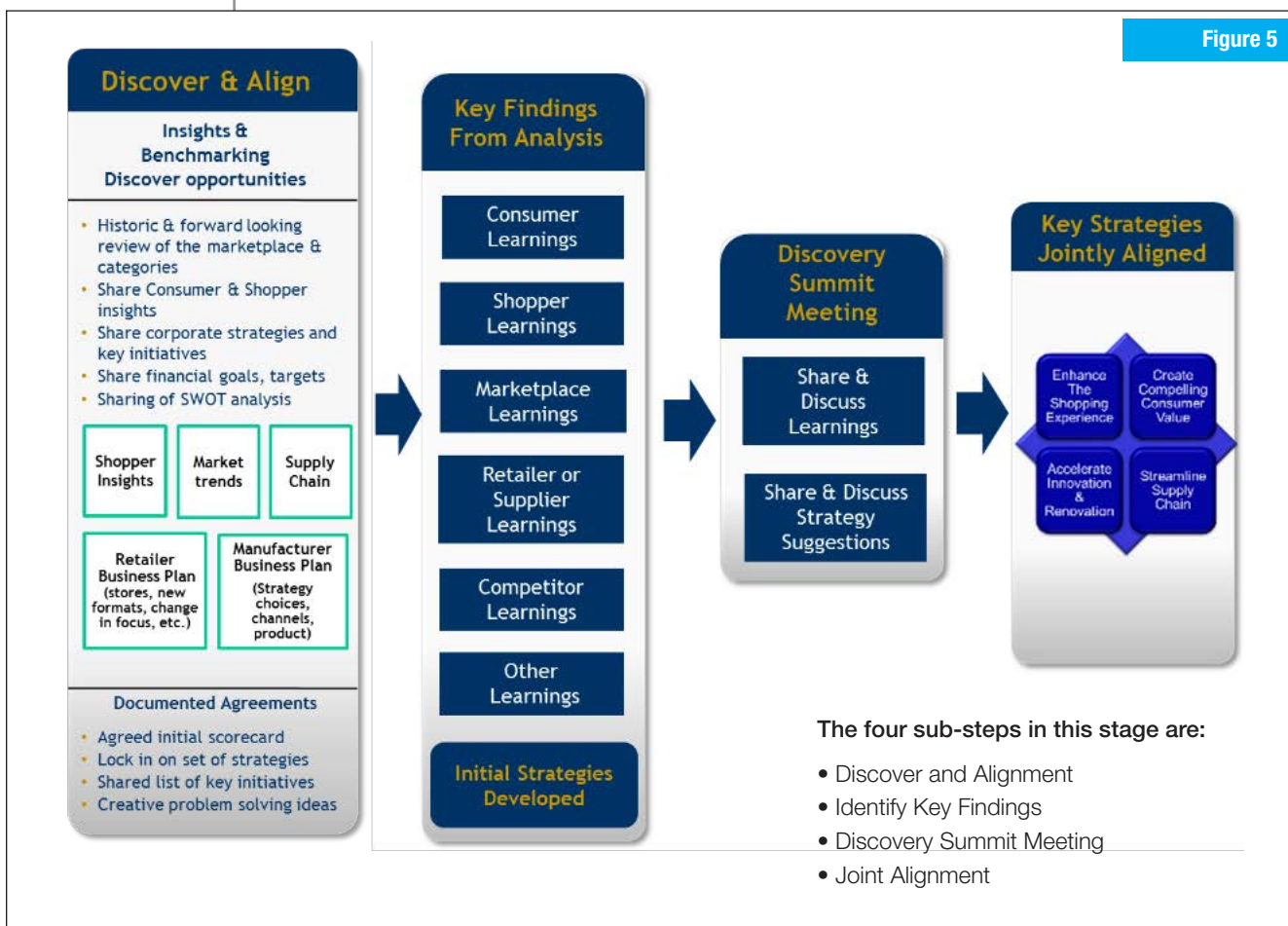
Discover & Align:

DISCOVERY & ALIGN PHASE

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
- Develop common goals (scorecard metrics)
- Develop the common strategies – the big ideas

Figure 5 provides an overview of this process stage from “discovery” through to “alignment”.



KEY FINDINGS

At this stage each trading partner brings to the table their insights and knowledge together they document the most insightful findings and prioritize those best suited for initiative development. Teams should focus in on what is most important – what they “need to do” vs what is “nice to do”.

DISCOVERY SUMMIT MEETING

We recommend trading partners participate in a Discovery Summit where both sides can share in a structured environment. Summits are a great way to ensure efficient and effective Discovery and Alignment and they work best when visibly supported by senior management. Here each trading partner brings to the table their insights and knowledge. Examples of detailed inputs are outlined in Figure 6. Teams will want to view recent historical performance, current trends, retailer’s future marketing plans and supplier’s future marketing plans. It is important that companies bring their best and most complete set of information to the table during this stage of the process in order to build trust and alignment. If each company spends the time upfront in the Foundation stage to assemble all the right materials more time can be spent discussing the findings.

Figure 6



KEY STRATEGIES JOINTLY ALIGNED

The final stage in the Discover and Align phase is to agree and align on a final set of key strategies. Strategies are the educated choices we make, specifying the optimal course of action we will take to accomplish our planned goals and objectives. They should:

- Flow from insights
- Help us to optimize resources
- Focus on delivering the biggest opportunities first
- By default, they make it clear what we will not do
- Be specific, simple, clear, and directive

Generally we find the highest priority initiatives will fall into one of the areas shown in Fig 7:

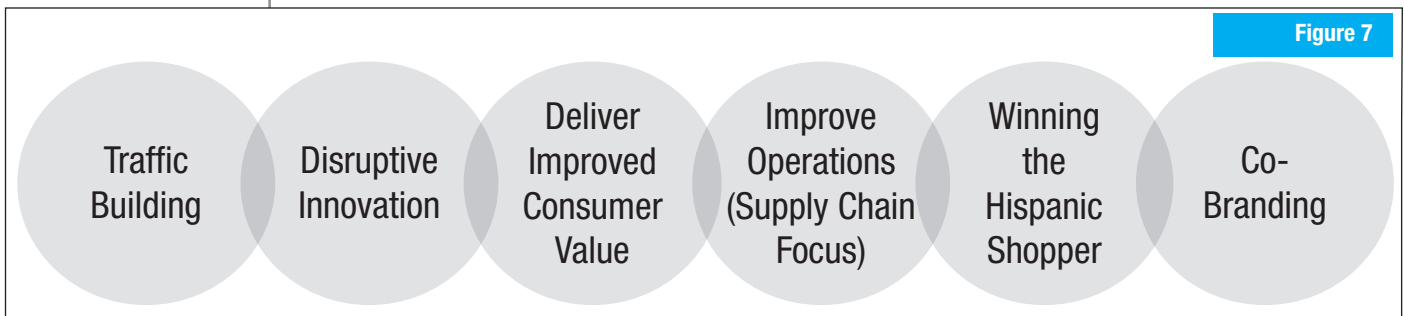


Figure 7

Alignment Exercise

The process for aligning on key initiatives can be awkward and difficult. Trading partners may not fully agree on priorities or overall direction. We found that performing a simple Venn diagram exercise as shown in Figure 8 can be very helpful to determine areas of potential alignment by identifying “who” we should mutually target, “what” are our collective goals, and “how” should we address our opportunities. In essence this exercise helps partners to “agree on the things they agree on” and to “set aside the things they disagree on”. Focusing on the remaining items allows for a more productive use of time.

Follow these simple steps:

- 1) Draw Venn diagram as shown
- 2) Arrange initiatives and opportunities in the appropriate space section of the diagram
- 3) Select items of complete alignment as top priorities
- 4) Eliminate items of conflict
- 5) Concentrate on items of potential

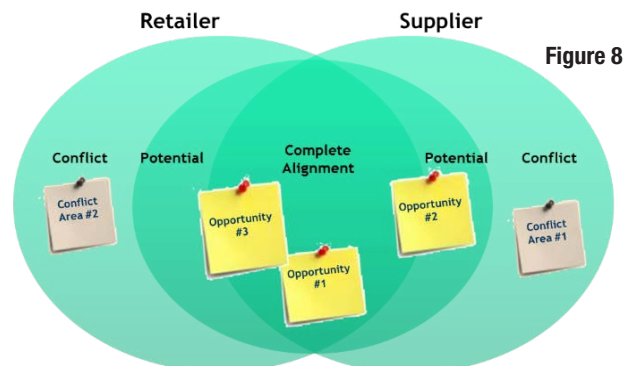


Figure 8

Documenting the initiatives is helpful to ensure clarity and alignment. Even a simple tracking sheet like the one shown in Fig 9 is sufficient. It is also helpful to obtain written confirmation from senior leaders of both trading partners that these joint strategies will be supported.

Figure 9

Strategy Name	Description	Size of Prize (\$)	Potential Starter Initiatives	Probability Of Success (Top-Middle-Bottom)
Strategy "A"				
Strategy "B"				
Strategy "C"				

JOINT SCORECARD

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 10 represent the key areas that Suppliers and Retailers should be evaluating in their JBP work. The Partners need to decide on which measures should be the focus (not all will or need to be in a scorecard). Ultimately, the scorecard should have:

- Clear metrics with agreed upon calculations
- Easy to calculate, assisted by streamlined information systems
- Reviewed regularly, at all major meetings
- Agreed and aligned up-front, before initiative building phase

Figure 10



These represent the key areas that Suppliers and Retailers should be evaluating in this JBP work. The Partners need to decide on which measures should be the focus (not all will/need to be in a scorecard).



You know you've successfully completed the "Discovery and Alignment" stage when trading partners understand each other's corporate objectives and initiatives, when each side shares best thinking on how their unique capabilities can be used for competitive advantage, and when both align on scorecard metrics for success with clear financial expectations aligned.

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. This is often an iterative process with a lot of brainstorming, discussion and reconciliation. Figure 11 shows an overview of the Initiative Planning phase and the three steps of Initiative Planning, Initiative Summit, and Joint Alignment. The main deliverables of this phase are:

- Build the initiatives that will support the key strategies
- Reconcile the sales and profit gains from each Initiative to the scorecard
- Build execution plans

Figure 11

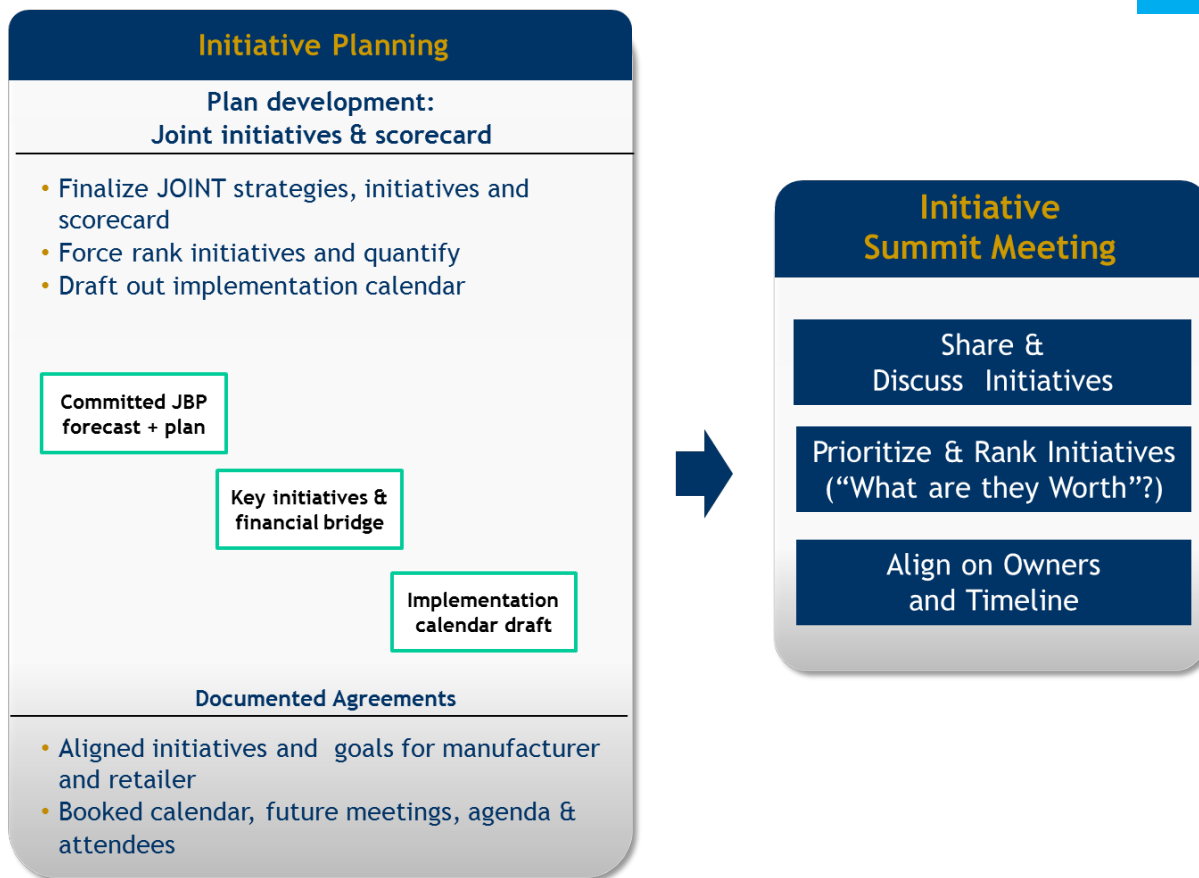


Figure 12

JOINT BUSINESS PLAN - Initiative Summary Page			
Initiative Description			
Brand X product changes will drive improved conversion, buy rates and release additional high transaction size occasions.			
The Ask			
Merchandising launch support for FY 2014 on Brand X Innovation (ships 3/1/14) Increase store distribution on Brand X (80% ACV Distribution)			
Initiative Rationale		Initiative Financial Estimates (Projected Benefits and Timing)	
Manufacturer Y will spend \$125MM to upgrade Brand X and reposition the brand in the super premium segment of the Category. Brand X already delivers more unduplicated reach among key premium shoppers than any other brand. To support the launch, Manufacturer Y will: 1. Upgrade the product to deliver against the needs of the premium shopper. 2. Spend significantly more in advertising and shopper marketing support, including digital and social media efforts. 3. Revamp/simplify product portfolio 4. Develop best in class displays to support the launch		1. New Occasions: \$26MM Annual Projection 2. Close Retailer Share Gap by 25% versus Competitors 3. Increase Transaction size (trade up) and deliver +\$8MM annual projection	
<div style="border: 1px solid black; border-radius: 15px; padding: 10px; width: fit-content; margin: 0 auto;"> Include Picture of Initiative </div>			
Key Tracking Metrics			
1. POS \$ Sales 2. Unit Velocity 3. Conversion			
Tactics	Start	End	Tactic Owner
1. Present customized shopper marketing plan	December 1, 2013	February 1, 2014	Supplier X
2. Product Improvement & Launch			Retailer Y
3. XXXX			Supplier X
4. YYYY			Retailer Y

Figure 13

	Retailer Financial Estimate (2014 \$ Revenue)	Consumer & Shopper Benefit (Top-Middle-Bottom)	Retailer & Manufacturer Financial Benefit (Top-Middle-Bottom)	Probability Of Success (Top-Middle-Bottom)
Initiative "A"				
Initiative "B"				
Initiative "C"				
Initiative "D"				

Figure 14

Scorecard Build (millions)				
Highlights opportunities to close gaps or increase total plan.				
Scorecard Sales Target EOY 2013				\$ 5.0
Total Build Sales				\$ 4.8
Other impacts				\$ (0.5)
Initiative 4			\$ 0.9	
Initiative 3			\$ 0.7	
Initiative 2		\$ 0.4		
Initiative 1	\$ 0.3			
Category growth/decline	\$ 1.0			
Trend 2013 exiting 2012	\$ 2.0			
Scorecard Net Profit Target EOY 2013				\$ 1.00
Total Build Net Profit				\$ 0.84
Other impacts				\$ 0.11
Initiative 4			\$ 0.09	
Initiative 3			\$ 0.09	
Initiative 2		\$ 0.07		
Initiative 1	\$ 0.06			
Category growth/decline	\$ 0.02			
Trend 2013 exiting 2012	\$ 0.40			
* Net Profit - inclusive of costs				
Profit is calculated for internal purposes for manufacturer				



INITIATIVE PLANNING

Here teams discuss and document the initiatives and lay the groundwork for the Initiative Planning Summit by completing the following templates:

1. Initiative Summary Template

Here teams will summarize initiatives and capture them on a simple Initiative Summary Page as shown in Fig 12. A Joint Initiative:

- Relates to a specific key Strategy as agreed in the initial alignment phase
- Is measurable with clearly defined performance targets
- Has a clear definition of the investment required to deliver it, and the anticipated return for the customer and for Supplier
- Is recorded and tracked on the JBP scorecard

2. Initiative Prioritization Template

Here teams will prioritize initiatives by discussing the overall benefits and viability of each initiative and documenting them on a side-by-side summary sheet, as shown in figure 13.

Main variables used to prioritize initiatives are:

- Retailers financial estimate of revenue
- Consumer & Shopper Benefit, and fit with retailer.
- Retailer and Manufacturer financial benefit
- Probability of success

3. Initiative Gap Planning Tool

Here teams will document and summarize the financial benefits of the initiatives onto a one page summary financial bridge, as shown in figure 14.



INITIATIVE SUMMIT MEETING

Here teams come together to discuss the work done in the Initiative planning step. Think of this meeting as the culmination of all the work done to this point and a last chance for input to ensure the team is heading in the right direction. Review all of the initiative summaries and the financial estimates and discuss final initiative prioritization. Lastly, the summit meeting is the time to assign key owners to each initiative with team members.

Key Initiatives and Owners Jointly Aligned

Coming out of the Initiatives Summit Meeting teams are jointly aligned on a key initiatives with assigned owners.



You'll know you've successfully completed the "Initiative Planning" phase when teams have developed and agreed on a set of joint initiatives which align with joint strategies, goals and objectives and the team agrees that these initiatives will accomplish joint financial objectives.



It all comes down to execution. Well thought strategies and proper planning are important but they can't produce results without flawless execution. Here teams will do the following:

- Gain corporate signoff for funding
- Review initiative tracker & progress
- Update JBP with new insights and key learnings
- Build sub-teams with members from both retailer and supplier to complete tasks.

We found that organizations who execute well attribute their success to the following characteristics:

- They start with well organized plans
- They follow a strict process
- They deploy cross-functional teams with retailer-supplier partners
- They meet regularly to ensure timelines are being met
- Their action owners are held accountable to the team for performing.

Main output of this phase are:

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

We recommend distilling key initiatives down to a one-page, easy to track and understand review sheet, such as the one in Fig 15. Make sure to document key metrics such as sales and profit, targets, expected benefits, timing, and names of those responsible for key assignments.

Figure 15

Joint Business Plan - Plan On a Page						
Retailer:	King Foods Stores		Key Strategies Top Shopper Conversion Measure: % of top shoppers buying key categories		Updated	1/14/2014
Department/ Categories:	Cheese, Sour Cream, Refrigerated Desserts		Demand Planning Improvement Measure: Increased Inventory Turns		Progress Review Date:	
Key owners:	John Jones/KFS, Mike Stevens/ MyCo		Promotion Effectiveness Measure: Increased Return on Trade Investment (\$ incremental sales/\$ trade or \$M)			1/14/2014
KING FOODS / MY COMPANY PERFORMANCE REPORT						
MEASURE	Current Results	Target	% vs Plan	MEASURE	Current Results	Target
Total Sales (\$)	\$17,656,338	\$18,100,000	98%	Share of Market	21.50%	22.00%
Gross Margin (\$)	\$6,197,224	\$6,320,000	98%	Gross Margin (%)	35.10%	34.92%
Trade Investment (\$)	\$1,565,000	\$1,400,000	112%	Trade Investment (%)	8.86%	7.73%
Total Gross Profit (\$)	\$6,355,150	\$6,500,000	98%	Total Gross Profit (%)	35.99%	35.91%
Inventory Turns	7.5	8.5	88%	Service Level (%)	95.80%	97.50%
Initiatives and Implementation Plan						
INITIATIVES	EXPECTED BENEFITS	TIMING	TASKS	BY WHOM?	WHEN?	
Best In Class New Project Launch for Product Line XX	1/2% Sales Increase @ 36% Total Profit Increase of \$32,000	25% per Qtr. Begin Q3-13	Provide 2003 schedule of Brand Advertising	Jerry James	13-Dec	
			Build an email form and update monthly as advertising information is available or changes 16 weeks in advance	Jerry James	14-Jan	
			Suggest quantities to cover incremental demand during ads and add to email notice	Karen Smith / Jerry James	14-Feb	
Refine VMI Program to reduce lead time and excess inventory	Improve inventory turns to 8.5. Reduce inventory by \$225,000. Cash Flow benefit of \$20,000	50% in Q3-13, 50% in Q2-14	Update item level forecasts	John Jones	14-Jan	
			Reduce lead time from 5 days to 3 days	Jerry James / Karen Smith	14-Jan	
			Report inventory turn improvement and changes in inventory levels monthly	Karen Smith	14-Feb	



You'll know you've successfully executed your plan when both retailer and supplier have accomplished their goals and objectives through joint initiatives and met their financial targets. This may sound a bit simplistic but at the end of the day results matter and JBP is about ensuring results and putting your company in the best possible position to achieve results is the mission of any business leader.



Don't think of JBP as a "one and done" exercise. Instead treat the JBP as a living document. It's important to stay on track. And it's also important to course correct when needed by reviewing what is working well and adjusting areas of opportunity. 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

By getting together the team can discuss the "why" behind the results. We recommend using a simple tracking tool like the one in Figure 16 to monitor performance. We found the following best practices for monitor and renew sessions:

- Schedule meetings well in advance, perhaps 3-6 months
- Send meeting agendas in advance with key responsibilities assigned to team members
- Assign someone to take notes and document key points
- Summarize key discussion points and next steps before each review session ends
- Send minutes after the meeting is over to all attendees and, if appropriate, re-copy senior leaders.

Figure 16

Plan Owners		Stakeholders								Planning Considerations:										
Initiatives and Actions	Retailer				Supplier				Start Date	h Date	Week #1	Week #2	Week #3	Week #4	Week #5	Week #6	Week #7	Week #8	Week #9	Week #10
	Owner	Owner	Owner	Owner	Owner	Owner	Owner	Owner												
Initiative #1																				
Task #1						x														
Task #2								x												
Task #3																				
Initiative #2																				
Task #1						x														
Task #2																				
Task #3																				
Initiative #3																				
Task #1																				
Task #2																				
Task #3																				



You'll know you've successfully completed the monitor and review step when teams have prepared for and completed review sessions, making revisions, if necessary, to key initiatives, the working team is clear on next steps and senior leaders are well informed as needed.



MEETING CADENCE STRUCTURE

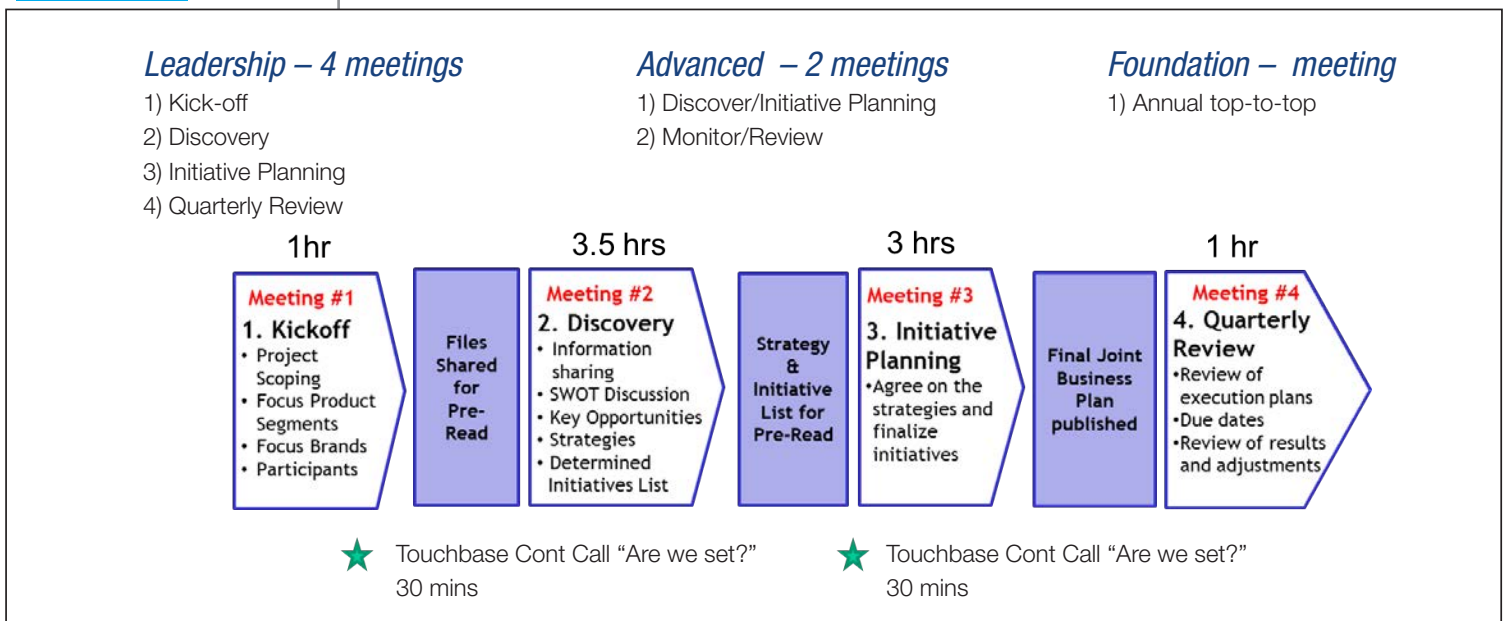
Proper meeting cadence and structure are important to keep the JBP process moving in the right direction and on track to deliver results. Make sure to:

- Plan, plan, plan. It is often said that the “meeting before the meeting” and the “meeting after the meeting” are more important than “the meeting” itself.
- Send agendas in advance with clear direction and enough time to properly prepare. Even a short pre-meeting can ensure that people’s roles are clear and that necessary resources and materials are on-hand for the actual session.
- Follow a meeting schedule which is properly structured with clear goal and objectives and assigned responsibilities.
- Summarize next steps before each sessions ends
- Keep meeting minutes and send to all participants, whether in attendance in the meeting or not, so that the group’s progress is tracked along the way.

Properly planned meeting structures ensure that people understand their roles, have enough time to prepare for success and understand they are being held accountable.

The following is a schedule of recommended meetings based on level. Below, figure 17 shows the meeting cadence for the Leadership Level. See JBP Toolkit for additional detailed explanation of meeting structure for all levels.

Figure 17



Benefits of JBP

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.



ALIGNMENT

Retailer and Manufacturer are aligned on key financial goals and drive in one common direction = increased sales & profits



LEVERAGE

Fully leverage their capabilities, resources and scale



INCREASED ROI

Improved forecasting, resource/asset allocation and alignment

Win

Win

Win

Manufacturer Opportunities
<ul style="list-style-type: none"> Improve manufacturer sales & share of market Accomplish manufacturer and corporate objectives Activate category plans Optimize trade funds

Retailer Opportunities
<ul style="list-style-type: none"> Improve category sales & share of wallet Accomplish category and corporate objectives Attract additional manufacturer resources

Shopper Opportunities
<ul style="list-style-type: none"> Improve manufacturer and category conversion Improve manufacturer and category consumption Improve shopping satisfaction

As we mentioned earlier the benefits of JBP resound throughout the company in multiple functional silos. When we spoke to people in different job functions in both retailers and suppliers we heard these voices loud and clear:

VOICES OF THE RETAILER

“We were able to reduce working capital by \$1.5MM in one category alone”

-- *Supply Chain Manager*

“Our stores were the first to market by 6 weeks with new products because we knew about them early on and helped develop them”

-- *Merchandising Director*

“Our vendor partner helped us to reinvent a stagnant category with a whole new look and feel. Sales are up 4.5%, twice my department’s average”

-- *VP Merchandising*

VOICES OF THE MANUFACTURER

“I can justify spending more trade funds with retailers who I can trust to execute the plans we agree on”

-- *Vice President, Sales*

“By using the retailer’s shopper loyalty card data we reallocated trade funds for our brands to match their shopper profile. We grew share of category and they grew share of market”

-- *Account Team Leader*

“JBP allowed us to reduce ship-backs by \$2MM because we were able to align on promoted price and order quantities for our seasonal events”

-- *Logistics Manager*

Conclusions & Next Steps

Joint Business Planning is mission critical in today's hyper-competitive market. Most leading retailers and suppliers are executing it today, in some form or another. However, many are still limited to only their most important trading partners. Most say they have plans to continue or expand their focus on JBP in the coming years, and all agreed that JBP is relevant to all partners.

Still, the JBP space is relatively new to most. There are few industry standards, and even some glaring inconsistencies where planning occurs differently even within the same company. This lack of process clarity leaves many company's struggling, knowing there is value in JBP, but not knowing how best to unlock it for themselves. Some companies currently segment trading partners and limit JBP to top tier partners only. These companies plan to expand JBP to a broader set of trading partners.

Companies with a well-defined JBP program, with trained staff and senior level commitment perform better than those who don't. This requires time and effort creating a barrier for some companies, but allowing for a competitive advantage for those willing to make the investment in JBP. Results are unmistakable as companies who have experience with JBP report a deeper understanding of business drivers, stronger working relationships, deeper levels of joint value creation and even increased levels of resources and support between trading partners.

NEXT STEPS

It is highly recommended that companies make an assessment of their current strategies and processes for business planning. Companies who currently do not have a trading partner segmentation strategy should develop one and companies who have not yet written process steps should begin. Lastly, we highly recommend developing a training manual and competency training for key personnel.

****This report, its recommendations and its toolkit are provided for information purposes only and their use offers no guaranteed financial or business outcomes.**

For a copy of JBP toolkit containing templates for the JBP process contact:

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