IBM POV On Transforming Secondary Sales & Distribution

Going from empty shelves….   To perfect placements….

Demand Generation   TO   Fulfillment
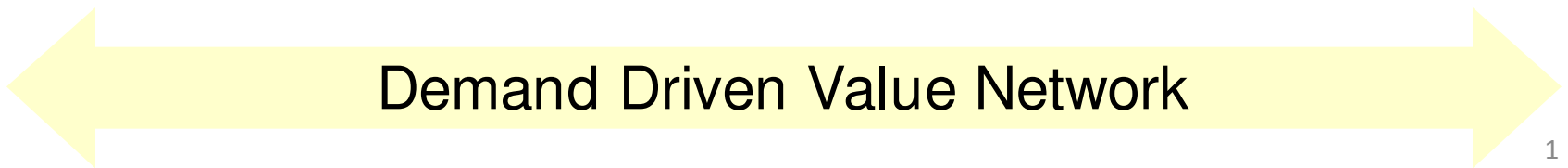
Demand Driven Value Network

Agenda

- **Introduction:**

  - **Typical Sales Challenges Faced in Secondary Sales Eco System**

  - **DMS and SFA**

- **Where is industry headed?**

- **Where / How to begin?**

Enterprise

Productivity Concerns
- ✓ Absence of Unified view of Pristine Demand & Fill rate on continuous basis
- ✓ Latency in Propagation of Operations plan leading to delay in implementation & poor realization
- ✓ Secondary Distribution effectiveness - Empty shelves, Inadequate width & depth coverage
- ✓ No Granular view of Market growth
- ✓ Lack of transparency in Claims

Distributor

ROI Concerns
- ✓ High Inventory holding cost due to non-moving items & opportunity loss due to shortage of fast moving items
- ✓ Increase in "cost to serve" due to Poor Fill rate
- ✓ Delay in claim realization
- ✓ Low perfect Order measure
- ✓ Improperly designed beats & O/L visit frequency
- ✓ Cost of Information Infrastructure
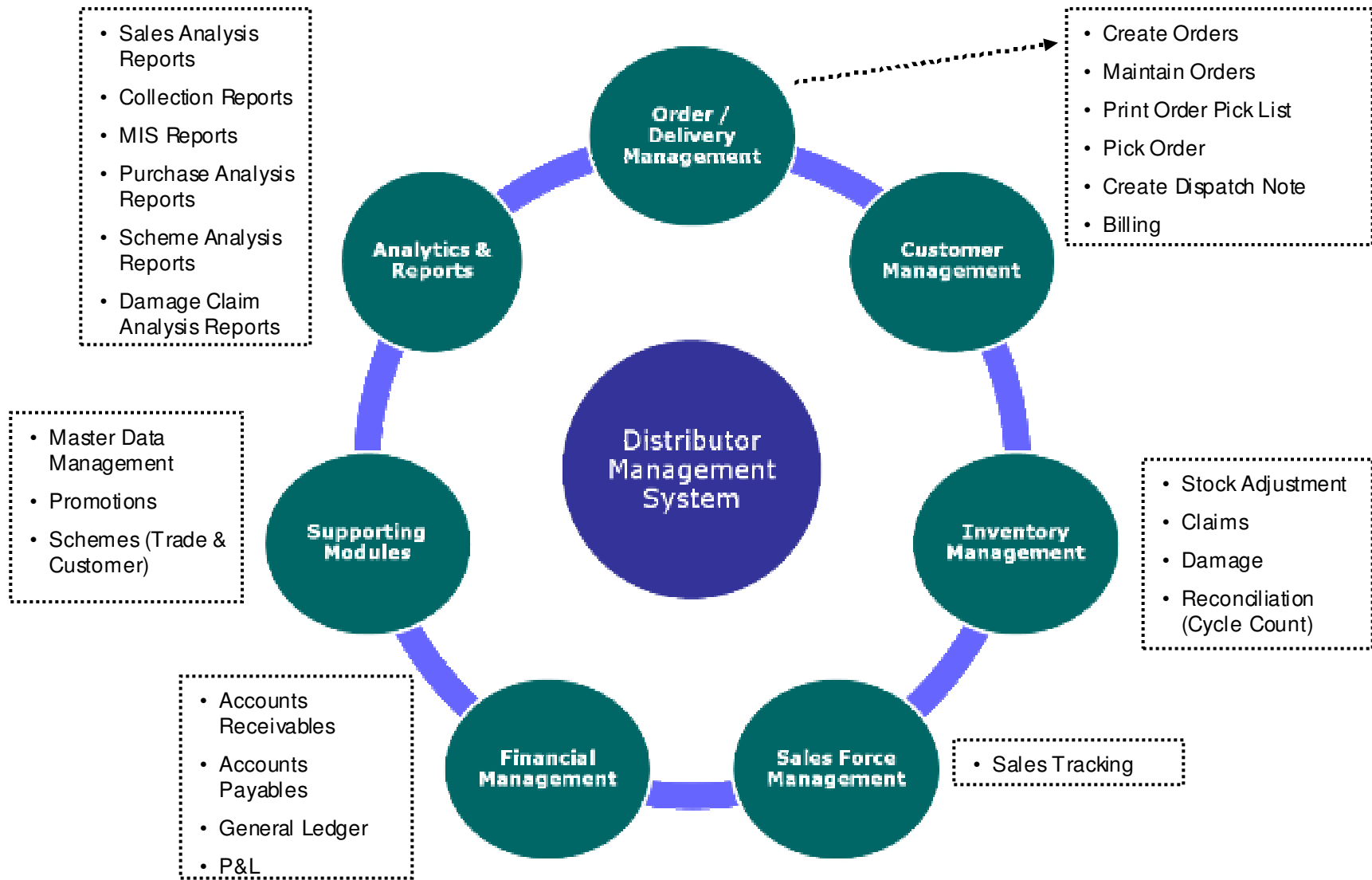
Sales Force

What is in it for me
- ✓ Salesman productivity in secondary market
- ✓ Process compliance not a virtue; Nothing to differentiate
- ✓ Sales is not a science; Data driven sales not practical
- ✓ Retailer buys what he wants; We can not decide for him
- ✓ Multi-lateral Targets are designed to fail me

Distributor Management System - Modules

- Sales Analysis Reports
- Collection Reports
- MIS Reports
- Purchase Analysis Reports
- Scheme Analysis Reports
- Damage Claim Analysis Reports

- Create Orders
- Maintain Orders
- Print Order Pick List
- Pick Order
- Create Dispatch Note
- Billing

- Master Data Management
- Promotions
- Schemes (Trade & Customer)

- Stock Adjustment
- Claims
- Damage
- Reconciliation (Cycle Count)

- Accounts Receivables
- Accounts Payables
- General Ledger
- P&L

- Sales Tracking

Order / Delivery Management

Analytics & Reports

Customer Management

Supporting Modules

Distributor Management System

Inventory Management

Financial Management

Sales Force Management

SFA Overview: Process Flow

[1]

Salesman **Distributor**

Salesman reports at the Distributor point to collect HH for market visit

[2]

[Secured Wi-Fi Access Point]

Synchs HH **Distributor Server**

Salesman synchs HH to download information from Billing Application server

Information on HH for market visit

- Route-wise outlet details – O/S invoices, order and credit history
- Available stock levels of SKUs at distributor
- Scheme details, Launch & Focus items
- Objectives at route and outlet level

Benefits derived

- Eliminates human error
- Salesman equipped with data for sales call

[3]

[Retail Outlets in the route]

Salesman **HH screen**

Salesman uses the HH for the market visit

[4]

[Stock Check] **[Order Capture]** **[Scheme Select]** **[Collect O/S]**

Salesman checks stock levels, captures order, takes collections and stock returns through HH at an outlet

Information on HH during sales call

- System generated Suggested Order Quantity
- Easy recall of product details (PTR, MRP, avl. stock), scheme items, launch and focus items
- Order value and summary for each outlet
- Visibility of O/S invoices for collection

Benefits derived

- Enables salesman to make a structured sales call
- Intuitive application and information availability

[5]

At Distributor

[Secured Wi-Fi Access Point]

Synchs HH **Distributor Server**

After the market visit Salesman returns to Distributor point and synchs HH to upload information onto Billing System

[6]

Orders flow directly to Billing System **Operator invoices in Billing System**

Salesman synchs HH to download information from server

Information on HH after market visit

- Day summary on total orders & collections
- Day-wise view on total visits and strike rate
- Daily view on monthly sales target

Benefits derived

- Simultaneous upload of sales orders
- Order data follows seamlessly to billing system
- Eliminates backend activity for Salesman
- Eliminates human error in data collation

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Key Imperatives that are pushing CPG Companies are considering to build following Capabilities

Imperatives for Sales Transformation

Inventory Management

- How will I effectively integrate the supply chain to ensure optimum stock levels at distributors and ensure zero stock outs at the retailers?

Merchandizing

- How will merchandising activities be streamlined to be consistent across retailers?
- How will merchandizing information be captured and used to make key business decisions?

Trade Marketing

- How will the effectiveness of trade promotion activity be measured?
- How will Trade promotion information be rolled out to the field sales force?
- What measures will be put in place to respond quickly to competitors' promotional activity

Analytics

- What will be the reporting mechanisms for secondary sales activities to make the sales call more productive?
- How will sales information be analyzed to maximize customer insight?
- How will the wealth of information drawn from sales activity be used to improve strategic decision making?

Increased requirements for collaboration and integrated information during the Sales Process demands enhanced capabilities from the DMS

Functionality

Operational

- Order Capture & Accounts Receivable
- Basic Inventory Management
- Basic Trade Promotions and Merchandizing
- Claims Processing
- Basic reporting
- Master Data Maintenance

Technology

- Distributed Technology Environment
- Disconnected Handhelds

DMS - Past Usage

Integrated and Collaborative

- Integrated Inventory Management (CRS, Integrated Demand Plan, Scientific Fulfillment rationalization, Suggested Secondary Orders)
- Digital Merchandizing (Adjoining, SOS, Assortment plan, Planogram Compliances, Asset tracking)
- Trade promotion optimization
- Advanced Analytics

- Centralized Technology Environment
- Connected Handhelds

DMS - Current and Future Need

Leading CPG firms are collaborating extensively with their channel partners on all aspects of retail planning (promotions, inventory, merchandizing, etc.) to enable fast and effective shelf turnaround
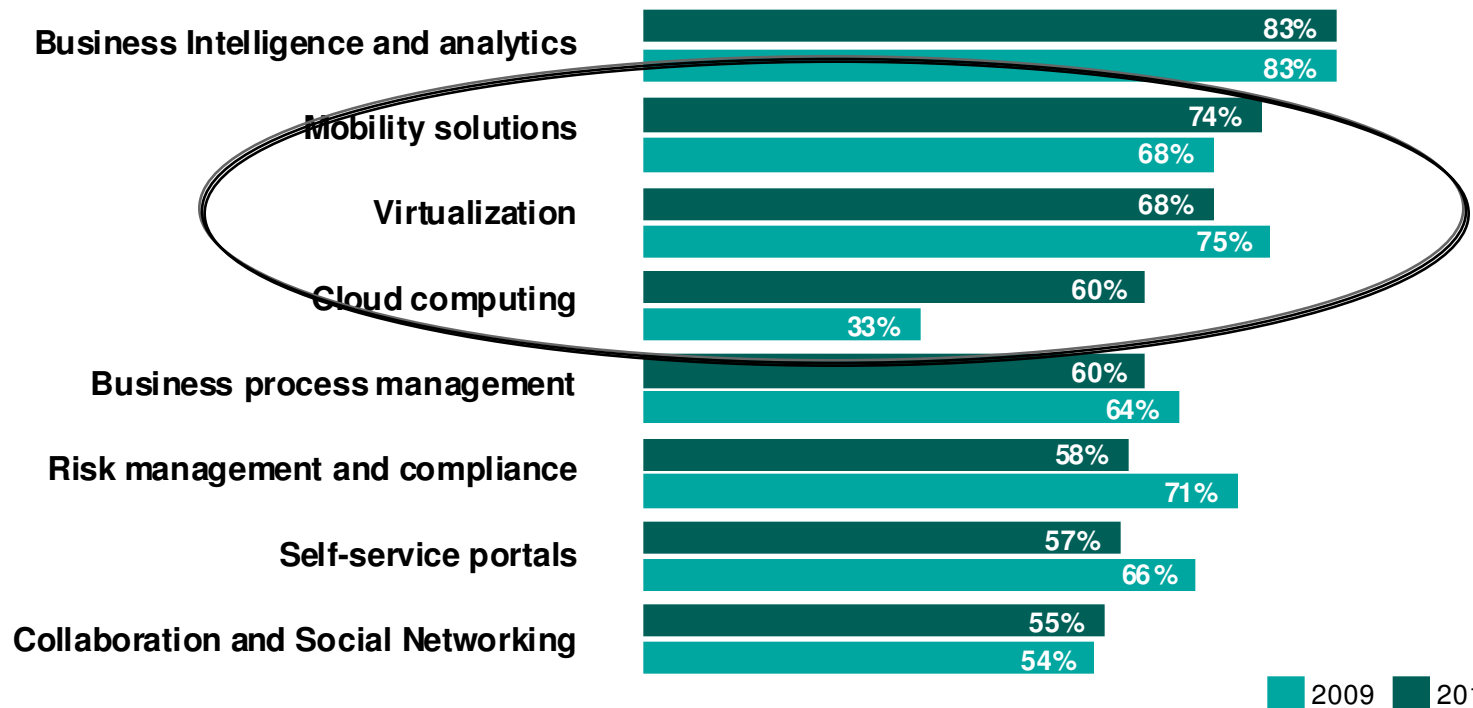
Mobility and Cloud are Heating up for CIOs

- CIO visionary plans are evolving: business intelligence and analytics remain at the top, with mobility and cloud solutions welling in importance

Most important visionary plan elements
(Interviewed CIOs could select as many as they wanted)

Element	2011	2009
Business Intelligence and analytics	83%	83%
Mobility solutions	74%	68%
Virtualization	68%	75%
Cloud computing	60%	33%
Business process management	60%	64%
Risk management and compliance	58%	71%
Self-service portals	57%	66%
Collaboration and Social Networking	55%	54%

■ 2009 ■ 2011

Possible IT Models for Secondary Sales Solution

Enterprise Applications

Internet

Distributor

PC with Thick Client

S1   S2   S3

Sales / Field Force with Hand-held

Option.1 : Decentralized solution

Enterprise Applications

Internet

GPRS Network

Distributor

PC with Client

S1   S2   S3

Sales / Field Force with Hand-held

Option.2 : Centralized solution (with Rich client)

Enterprise Applications

Internet

GPRS Network

Distributor

PC with (Browser)

S1   S2   S3

Sales / Field Force with Hand-held

Option.3 : Centralized solution (with Thin client)

Many CP Companies are moving towards a Centralized DMS Solution to derive benefits of Cloud Computing

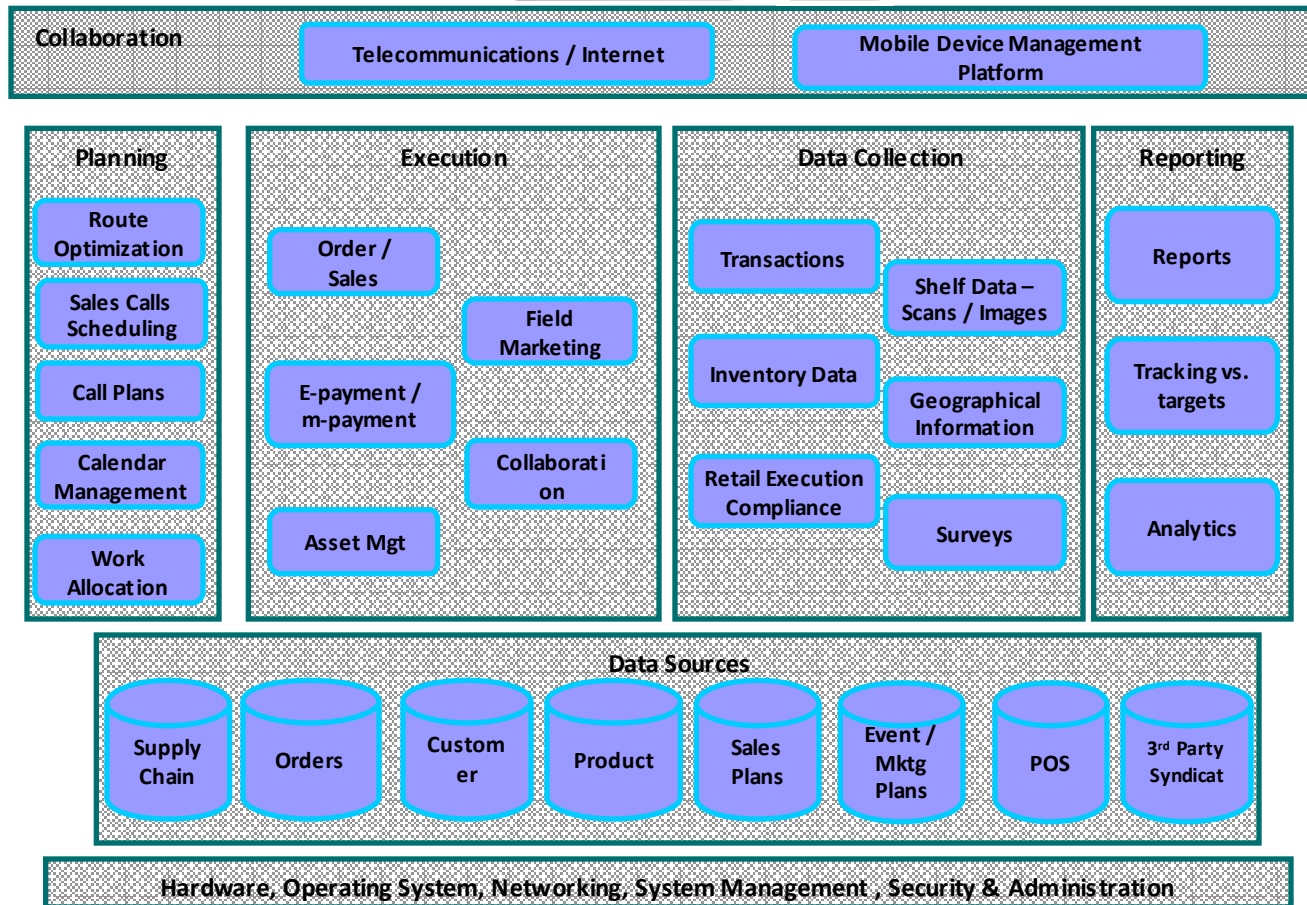|	**Decentralized DMS Model**	**Centralized DMS Model**
Pros	▪ Business **operations can continue without being connected to Central Server**, hence not dependent on internet connectivity	▪ No Risk of business Operations stopping incase of local/distributor hardware failure ▪ **Master resides in one place** – Central Server ▪ Latest Masters are available immediately ▪ **Real Time transactions data is available** in Central Server ▪ **Time required to rollout Business Changes is Low** ▪ Highly Portable, **can be accessed from anywhere** ▪ Easy to maintain and administer (backups, etc)
Cons	▪ Time Consuming to restart Business Operations in case of local hardware failure ▪ Master resides in Central Server as well in local server ▪ **Latest Masters are available only when synced** ▪ Transaction Data is available only when synced ▪ **Time required to rollout business changes is high** ▪ **Data duplication – locally and centrally** ▪ **Maintenance is not easy** (local backup, interfaces for synchronization, etc)	▪ Operations cannot continue without being connected to Central Server

DSD/ SFA Components

Collaboration

Telecommunications / Internet	Mobile Device Management Platform

Planning

- Route Optimization
- Sales Calls Scheduling
- Call Plans
- Calendar Management
- Work Allocation

Execution

- Order / Sales
- Field Marketing
- E-payment / m-payment
- Collaboration
- Asset Mgt

Data Collection

- Transactions
- Shelf Data – Scans / Images
- Inventory Data
- Geographical Information
- Retail Execution Compliance
- Surveys

Reporting

- Reports
- Tracking vs. targets
- Analytics

Data Sources

- Supply Chain
- Orders
- Customer
- Product
- Sales Plans
- Event / Mktg Plans
- POS
- 3rd Party Syndicat

Hardware, Operating System, Networking, System Management , Security & Administration

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Where is bigger Pain / Opportunity: Distributor OR DBSR?

1. Controlling / Managing distributors operations and governance?

   -Are we currently getting sales and stock data at desired time period and data structure
     level (may not be granular or daily)?
   -What is current maturity of Distributor and Sales environment?
   -What is profiles of Distributors-
     Exclusive, common
     IT Maturity and Education

2. Controlling Sales operations and governance? Is GCMF funding DBSR?

3. Where is growth market? Tier 1, 2, Semi Urban, Rural?

4. Size of market for temperature controlled Van Sales?

6 DMS Extensions

5 In-sight

4 Mobilized Extensions

3 Scalable Integration Services

2 Centralized Process Orchestration

1 Centralized MDM

Centralized Master Data Management (MDM): High degree of data integrity & hygiene

Centralized Process Orchestration : for contextual deployment, configurability & better productivity

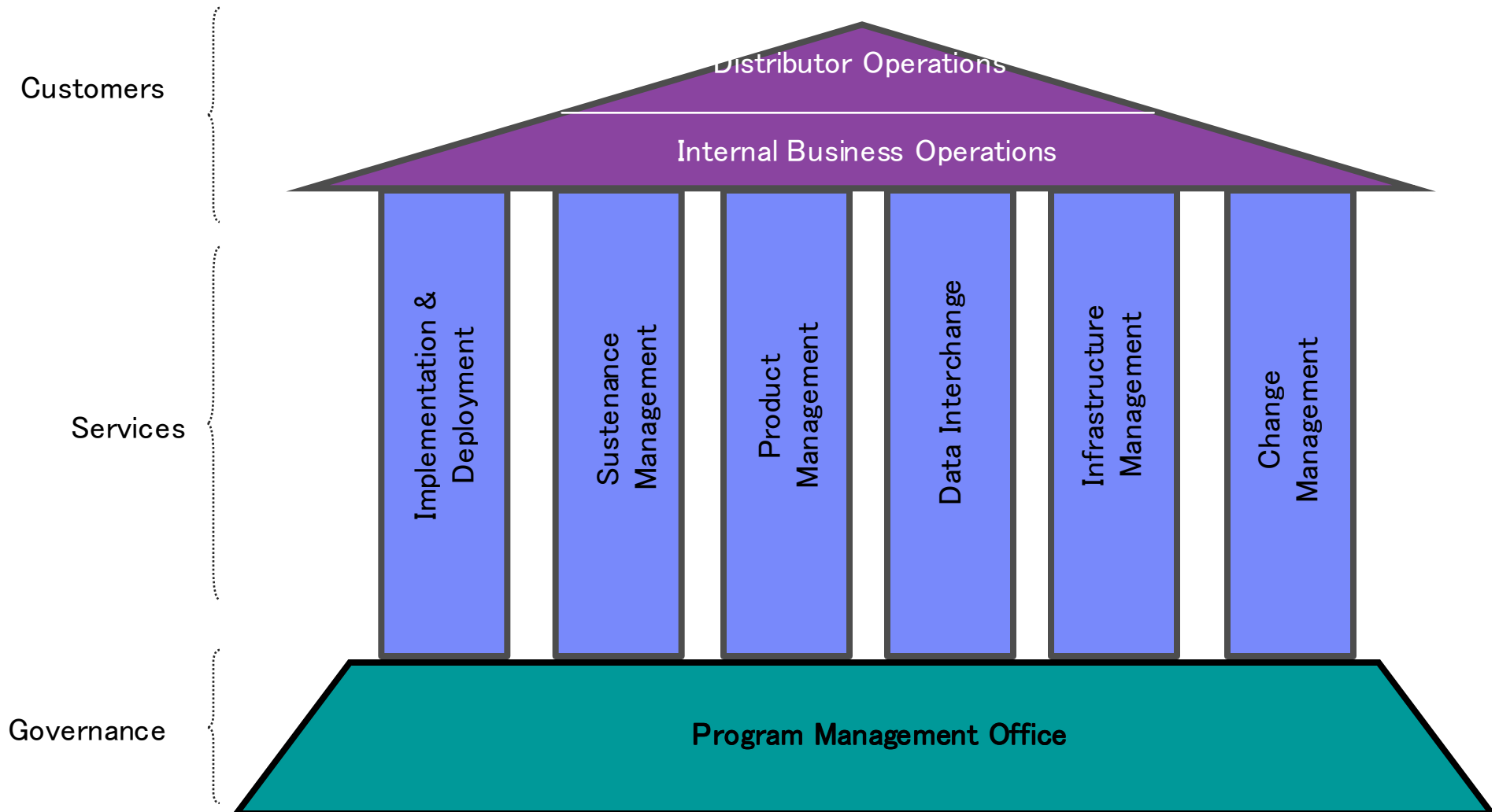**Scalable Integration services:** Foster Enterprise-wise collaboration

Mobilized Extensions: For smarter & productive sales force

In-sight: Operational Analytics for effective monitoring & course correction

DMS Extensions: For controlled Distribution transaction management

Point to Remember: It is not just selecting and implementing a product

Customers

Services

Governance

Distributor Operations

Internal Business Operations

Implementation & Deployment

Sustenance Management

Product Management

Data Interchange

Infrastructure Management

Change Management

Program Management Office

Open House