

Think:Act

navigating complexity



June 2017

Catch the waves in consumer goods

Mastering disruption in dynamic markets

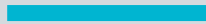


navigating
complexity



THE BIG

3



83%

of marketing decision-makers do not believe that their strategies are good enough to beat their direct competitors.

Page 10

54%

of consumer goods companies think that their sales force will fail to meet its targets this year.

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5

powerful tactics to help you close strategic gaps and take your organization to the next level.

Page 4

The time for playing in the shallows is over. Surf's up – it's time to catch some serious waves.

As a consumer goods company you face many different challenges. Digital disruption, hyper-competition, micro-fragmentation of changing consumer needs, vertical integration, consolidation and negotiating power of retail channels, innovative direct-to-consumer models with new consumer interfaces – the list goes on and on. Every day a new wave of digital or competitive disruption threatens to crash down onto your company. How can you surf the waves with style, or at least keep your head above water?

The answer lies in your most fundamental source of success: your marketing and sales excellence.

We all know that marketing and sales machines are going to win the markets by mastering consumer interfaces and controlling consumer data. Marketing and sales excellence are the central competencies in consumer goods, determining success or failure in the traditional world and even more so in the new digital age. They need to own and integrate all touchpoints at the consumer front end. They must be empowered so that they can create truly consumer- and customer-centric organizations.

If they are going to realize their full potential, marketing and sales functions have some growing up to do.

They must become mature, professional, high-performance organizations. Stop thinking about best practices: It's time to fix open issues such as outdated marketing and sales strategies, black-box performance, half-hearted automation, imperfect omnichannel integration and poor consumer experience. Fail here and you will lose consumer access.

Roland Berger leads the way when it comes to helping national heroes and multinational corporations readjust and digitize. In early 2017 we asked 100 decision-makers in the marketing and sales functions of consumer goods companies about their challenges, opportunities and strategies. We used our Marketing & Sales Performance Index to calculate how skillfully they were performing. It showed a direct correlation between advanced marketing and sales functions and higher revenues and profits.

Based on the results of the survey we have developed five key tactics that will take your organization to the next level. → [A](#)

Catch the waves is a manifesto for helping companies deliver their full potential in marketing and sales. Follow us on LinkedIn under #CatchTheWaves to receive the latest insights, join the discussion – and learn how to choose your waves wisely.

A

FIVE KEY TACTICS THAT WILL TAKE YOUR ORGANIZATION TO THE NEXT LEVEL



BREAK THE RULES

Make marketing and sales an integrated force at the consumer front end.

Marketing and sales functions currently have a 50 percent overlap in responsibilities and competencies. That means lower performance and a significant "contribution gap".



TAKE ON THE COMPETITION

Launch marketing and sales strategies with real power to beat the competition.

Around 48 percent of decision-makers are happy with their marketing and sales strategies. But a massive 83 percent do not believe that their strategies are good enough to beat their direct competitors. Companies need to deal with this "strategy gap".



STUDY YOUR OWN FORM

Open the black box and boost budget performance.

Marketing and sales activities are still a black box for many players: Less than 25 percent of consumer goods companies are able to measure the effects of their marketing and sales efforts. More than 70 percent are convinced that they are less effective in spending their budget than their direct competitors. It's time to close this "performance gap".



TRANSFORM YOURSELF

Invest in resources, skills, systems, sales and marketing automation.

Pro surfers need the right board, the correct fins and the best wax. Around 75 percent of decision-makers say that the requirements of their organizations have increased significantly. But only 30 percent believe they have the appropriate equipment and skills. Tackle the "ambition gap" head on!



WOW EVERY DAY

Provide a seamless digital consumer experience that surprises and delights.

Consumer experience management (CEM) is one of the top-five hot topics in marketing and sales. Yet more than 80 percent of decision-makers admit that their digital capability is far too low given consumer demands. That's a massive "digital gap".

Break the rules. Over- come the contribution gap in marketing and sales.

Do marketing and sales really represent one of the biggest areas of potential for consumer goods companies? We believe so. And we will tell you why.

In recent years the potential for companies to fail has increased significantly. Many players have been pushed back into niches, struggled to defend their market share, or even disappeared from the market entirely. It is well known that most companies and their innovations fail due to a lack of consumer orientation. They are too "inside-out". They are too slow. They are too far removed from their consumers' needs. They use the wrong channels. They offer a poor consumer experience.

Most companies fail to integrate their marketing and sales capabilities properly. But if you want to win against new marketing machines you need to break the old rules. Integrating marketing and sales is necessary because new competitors do not know the difference between these functions anymore.

When looking for areas to improve, you need to leave your old-school thinking behind. Marketing and sales currently have an overlap of at least 50 percent when it comes to responsibilities. They are still fighting over areas of competence – one of the major reasons why marketing and sales seem to constantly underperform.

The journey to becoming a high-performance organization begins with some simple questions about your current marketing and sales functions:

- Who is responsible for generating sales?
- Who is responsible for winning and defending market share?
- Who is responsible for developing innovations and implementing growth strategies?
- Who is in charge of digital business models and new channels?
- Who is responsible for the consumer experience and touchpoints?

Ask yourself whether it really makes sense to assign these tasks to different functions with often unaligned objectives and KPIs, different skills and divergent working cultures. Wouldn't it be better to approach these tasks with one voice and a single strategy?

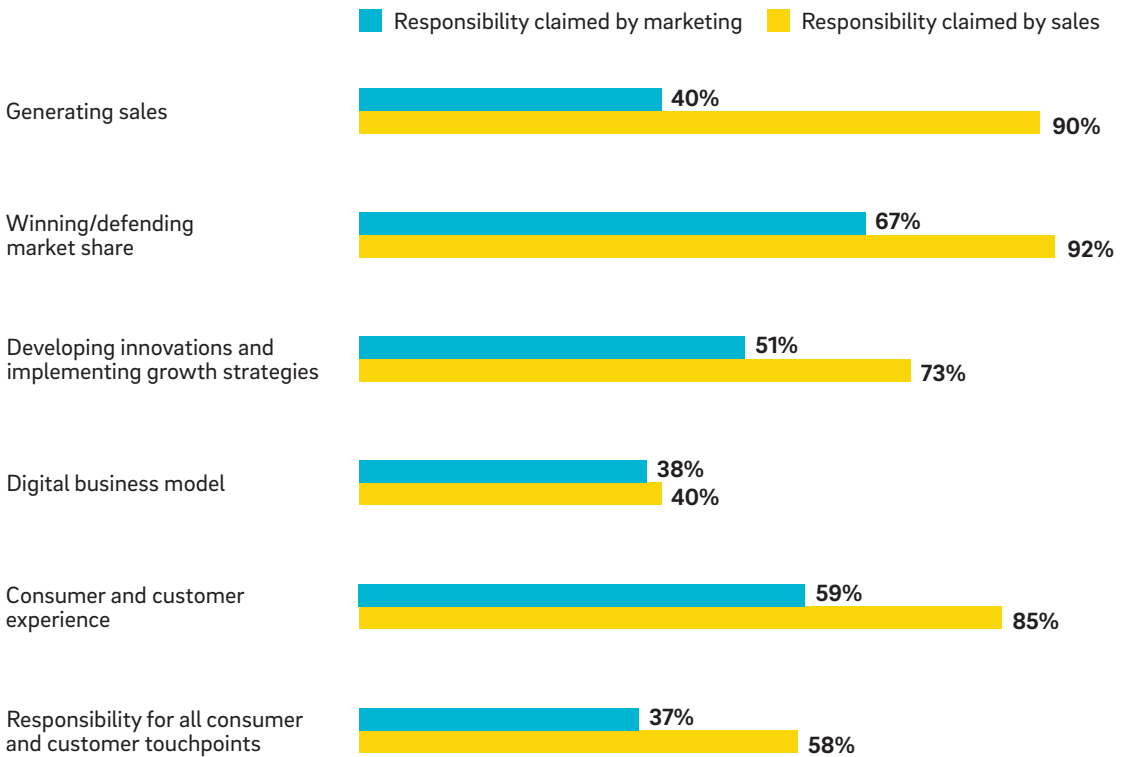
We are not necessarily talking about merging marketing and sales departments into a single unit – although that might indeed be an option for some companies. We are talking about creating consumer- and customer-centric, performance-oriented marketing and sales functions. For that to be possible you need integrated planning and implementing methods. You also need direct feedback and insights from both consumers and customers, feeding into the planning and implementation process along the entire consumer journey.

Consumer goods companies need to define a new role for marketing and sales, a role that includes clear

B

THE FIGHT OVER AREAS OF COMPETENCE

Responsibilities claimed by marketing and sales departments.



58%

of decision-makers in sales claim responsibility for initiating strategic partnerships and acquisitions compared to 28% in marketing.

16%

of decision-makers in marketing and 8 percent of decision-makers in sales claim responsibility for developing, implementing and monetizing data-driven business models.

10%

of sales managers claim an active or leading role as the driver of digital transformation within their company, compared to 43 percent of marketing managers.

responsibility for all consumer and customer touch-points, channels and products in both their business-to-business relationships with retailers and their business-to-consumer relationships. This role must also include a clear mandate for execution across the whole organization and across all processes influencing the interface with consumers. In other words, someone needs to take the lead.

When we asked marketing and sales functions who was responsible for success at the customer interface, 59 percent of decision-makers in marketing said it was marketing and 85 percent of decision-makers in sales said it was sales.

The "contribution gap" comprises three main areas:

1. Overlapping responsibilities

We found unclear responsibilities in the field of revenue generation (including direct channels), gaining and defending market share, enhancing the consumer and customer experience, raising customer satisfaction, and developing and implementing growth strategies. All these areas are to some extent executed by both marketing and sales functions.

2. Incorrectly allocated responsibilities

Responsibility for initiating strategic partnerships and acquisitions generally lies with the sales function: 58 percent of decision-makers in sales claim this function, compared to just 28 percent in marketing. However, we believe that this responsibility should in fact be shifted to the marketing function. Instead of focusing on sales volume, companies should look at optimizing cost per order – directly correlated to consumer satisfaction – and developing a strategic understanding of the consumer journey. Both of these are naturally marketing topics.

3. Non-allocated responsibilities

Just 16 percent of decision-makers in marketing and 8 percent of decision-makers in sales claimed responsibility for developing, implementing and monetizing data-driven business models. Data-driven business models harbor enormous potential when it comes to bridging the gap between companies and end consumers, and finding new sources of business through direct consumer interaction, like for instance Procter & Gamble's Tide Wash Club. We see potential within

both marketing and sales. However, only 10 percent of sales managers claim an active or leading role as the driver of digital transformation within their company, compared to 43 percent of marketing managers.

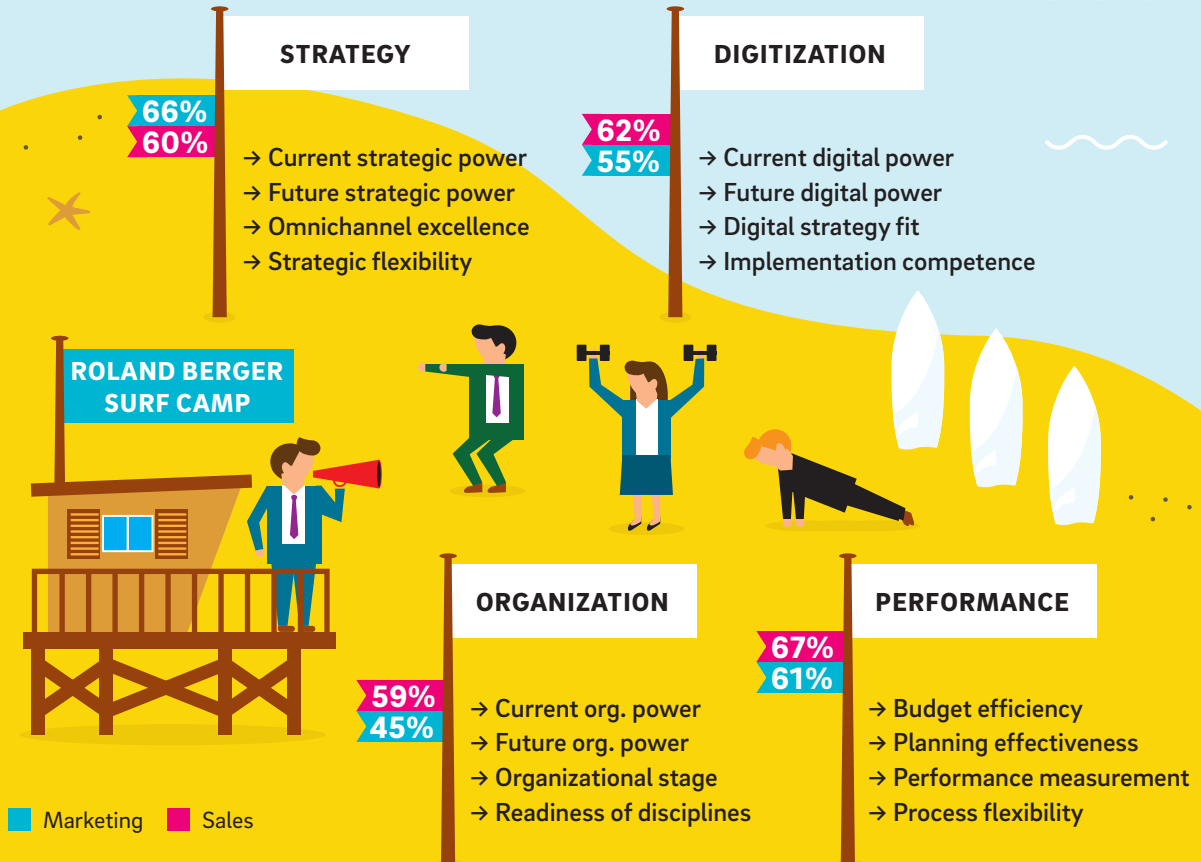
PRO TIPS



- Identify the contribution gap – look at the various competencies and activities and determine who is doing what within the organization.
 - Draw the "big picture" – what is your target go-to-market model?
 - Set clear objectives and assign strategic tasks to functions according to potential, not tradition.
 - Develop your direct-to-customer strategy and assign clear responsibility for the development of data-driven business models.
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C

THE MARKETING & SALES PERFORMANCE INDEX



The Roland Berger Marketing & Sales Performance Index (MSPI) measures how professional a company's marketing and sales functions are. It consists of a marketing index and a sales index, each of which has four sub-indices: a strategy index, a digital index, an organizational index, and a performance index.

The total possible score for each sub-index is 100. Each sub-index is weighted at 25 percent of the final score for the marketing index and the sales index. The score for the marketing and sales indices is then averaged to give the final MSPI score.

Companies can use the MSPI for both self-assessment and benchmarking. Its practical approach pro-

vides a good starting point for identifying strengths and weaknesses within marketing and sales organizations. Companies' final scores have been shown to be directly correlated to their performance in terms of revenues and profits.

Consumer goods companies score an average of 59 out of 100 on the MSPI – a moderate score. Sales functions do better than marketing functions, but only by a small margin (62 vs. 57 points). The biggest improvement potential is seen in organization, with an average score of 45 for marketing and 59 for sales.

WAVES OF DISRUPTION



Take on the competition.

Overcome the strategy gap.

Every company has a strategy. But is your strategy good enough to beat the competition?

When we talk to decision-makers in marketing and sales, they often say that they are proud of their strategies. However, when we ask them whether those strategies actually enable them to defeat the competition, they admit they're not really sure.

The survey results reveal the full extent of the strategy gap. Just 49 percent of decision-makers in marketing and 48 percent in sales claim to feel well-armed when it comes to their marketing and sales strategies. Worse still, 83 percent of decision-makers in marketing and 81 percent in sales say that they think their competitors' strategies are superior to their own.

Let's pause here for a second. That means that one in two decision-makers doesn't really believe in their own marketing and sales strategy, but does believe in their competitors' strategies. Consumer goods companies are going to run into major problems if they apply strategies that they don't believe in. And do so even though they know full well that they aren't competitive enough. →D

A poor marketing strategy is often the result of unclear objectives and expectations on the part of management. All too often we hear of vague instructions coming from on high, orders to "build the brand", "support innovations", "improve consumer experience" or "bring budgets down". In our survey only 51 percent of marketing functions and 77 percent of sales functions said they had clear, specific targets. At first sight it might appear more important – and certainly easier – to define clear targets for sales than for market-

ing. But in today's complex, digital world, where consumer interfaces have become the crucial battlefield, marketing also needs clearly defined targets, properly formulated KPIs and a mission rooted in measurable business impact.

The survey reveals that focusing exclusively on building a good sales strategy is a dead end. In our experience only companies that get both their marketing and their sales strategies right generate higher revenues and profits.

PRO TIPS



- Understand your competitors' marketing and sales tactics as well as you do your own.
 - Set clear, integrated, top-down targets for sales and marketing.
 - Develop powerful strategies that can beat the competition – it's the winning that counts, not the taking part!
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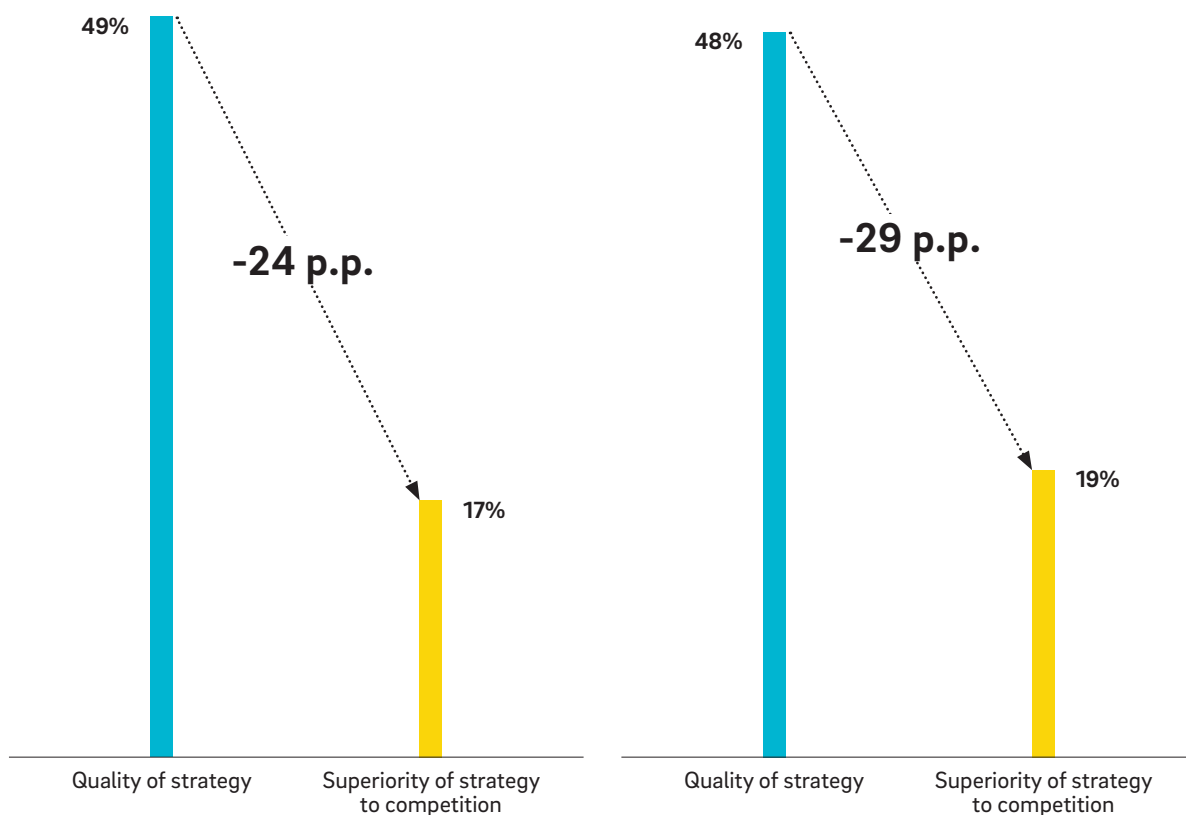
D

THE PERCEIVED STRATEGY GAP

Half of decision-makers don't have faith in their own strategies.

MARKETING

SALES



Study your own form.

Overcome the performance gap.

Consumer goods companies need to open the black box of their marketing and sales performance. Less than 10 percent of marketing functions and 25 percent of sales functions are able to measure return on investment (ROI) for all their activities. Not only that, more than 70 percent of marketing managers and 80 percent of sales managers believe that the impact of their budgets is less than that of their direct competitors.

A major reason for poor budget performance in marketing is failure to master the art of spending and planning. In the survey more than 40 percent of companies do not derive their annual marketing budget from concrete targets. Often, they just take last year's budget and add a fixed percentage. Moreover, only 37 percent allocate their marketing budget to channels or actions on the basis of known (or at least expected) effects. That means 63 percent have no clue about the impact of their budget performance. And 43 percent of companies say that their marketing budget has been growing steadily over recent years. In other words, around half of consumer goods companies plan their budget by rule of thumb, allocate it without knowing the impact of doing so, and increase it every year regardless of whether it makes any difference. →E

Of course, black-box budgets are nothing new, either in marketing or in sales; some 40 percent of marketing managers say that their biggest challenge is still understanding the impact of their marketing spend. But while this lack of transparency is certainly regrettable, focusing solely on the issue of transparency will not get companies very far. The real question is how to boost the impact of their budget. When we asked decision-makers

about this, 90 percent in marketing and 85 percent in sales said that the key lies in improving their planning and allocation process: 60 percent said this would boost their budget impact by up to ten percent and the rest said it would boost their budget impact by ten percent or more. Turning those figures around, it seems that roughly half of consumer goods companies could save at least ten percent on their annual marketing and sales budget by improving their planning and allocation process without compromising budget impact at all.

In terms of sales force performance, just 25 percent of decision-makers say that their sales organization outperforms the competition. Less than 50 percent expect their own sales force to even reach their sales targets this year. So it's no wonder that 30 percent see the need for their sales organization to become more agile and 44 percent say that the whole company needs to become more customer- and consumer-centric.

PRO TIPS



- Make your planning and budget allocation state-of-the-art, fact-based and target-driven.
 - Increase the flexibility of your budgets and actions so that you can adapt to changing situations.
 - Boost the performance of your sales force by making it agile and more customer-centric.
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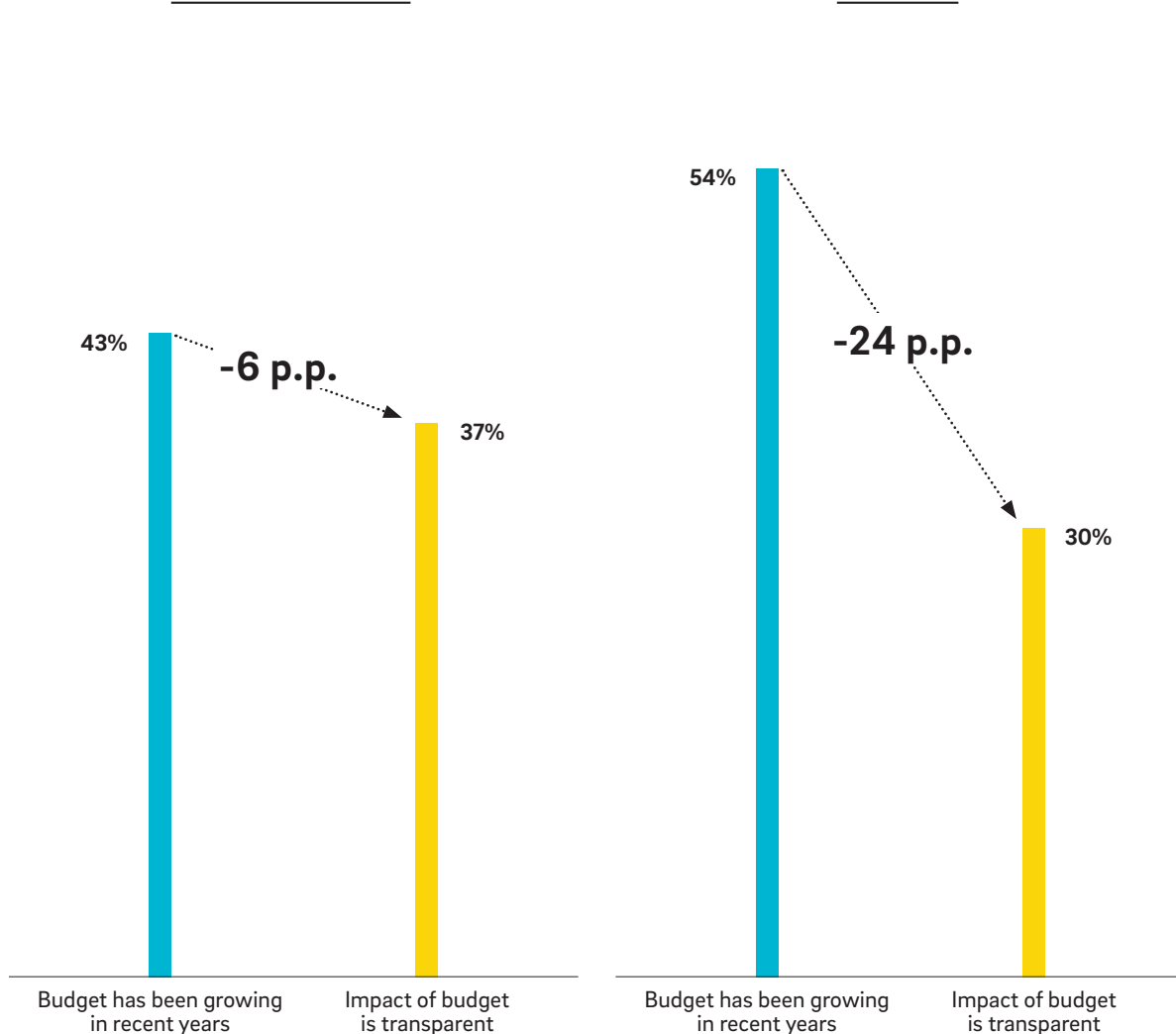
E

THE PERCEIVED PERFORMANCE GAP

Many companies increase budgets each year, but few can measure the impact.

MARKETING

SALES



Transform yourself. Overcome the organizational gap.

Marketing and sales organizations face a dilemma – and it's a dilemma largely of their own making. Over the last decade they managed to gain the attention they demanded. But now they find themselves unable to deliver on the tasks they have claimed for themselves.

The survey findings reflect this organizational gap. Some 65 percent of decision-makers in marketing and 80 percent in sales say that the tasks assigned to their organizations have increased significantly. But only 26 percent of marketing and 33 percent of sales organizations claim to have the necessary equipment and skills to cope with their new tasks. Not surprisingly, then, one-third of the consumer goods companies in the survey say that their marketing and sales organizations need to be reorganized in the coming years to make them "fit for the future" and "more customer-centric", and two-thirds believe that a specific blueprint or goal is lacking. →[E](#)

Based on our survey we identified three groups of marketing organizations with different levels of maturity and professionalism. Around 50 percent are what we consider future-oriented marketing organizations, 45 percent are traditional sales promotion and communication organizations, and just 5 percent are high-performance marketing champions. In other words, more than half of all marketing organizations are old-fashioned – and a miniscule proportion are out ahead. →[G](#)

When it comes to the competitiveness of marketing and sales organizations, there are major differences between perception and reality. Around 40 percent of decision-makers say that they feel more or less in

a good position with regard to their marketing and sales organizations. But when asked to compare their organizations with their direct competitors, less than a quarter think that theirs is better.

PRO TIPS



- Examine what tasks your marketing and sales organizations are engaged in, and assess how well they are doing.
 - Define your target organization – where you want to be in the future.
 - Define concrete measures for moving up to the next level of professionalism.
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F

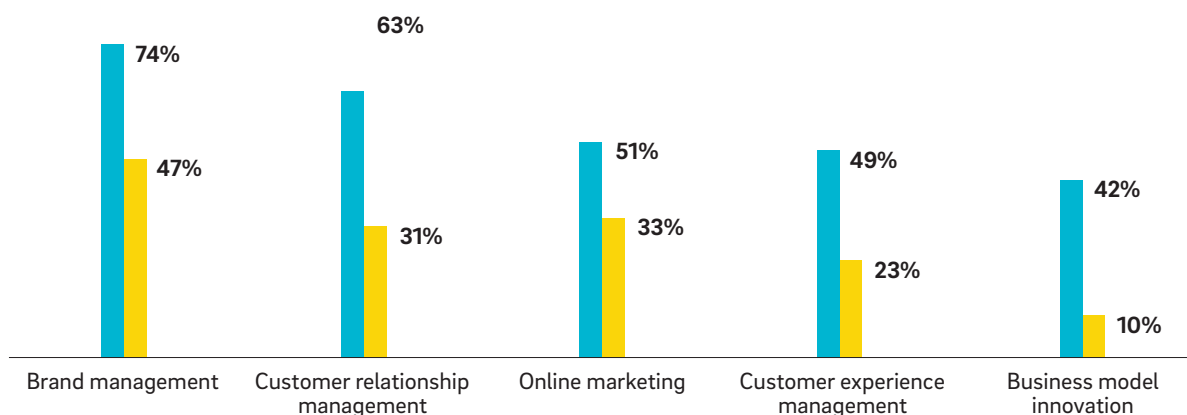
THE PERCEIVED ORGANIZATIONAL GAP

Importance of area vs. current skills

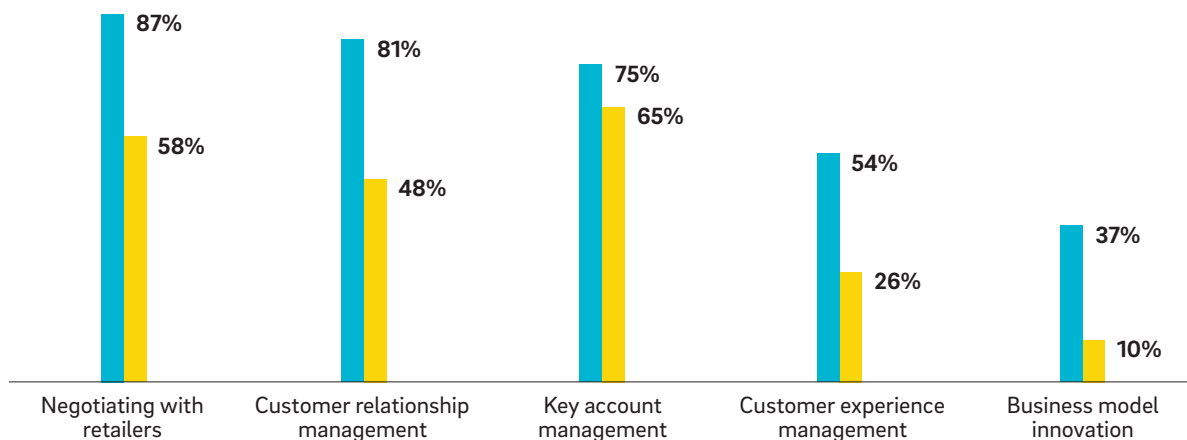
■ Importance ■ Current skills

Discipline gap [%] ¹⁾

MARKETING



SALES

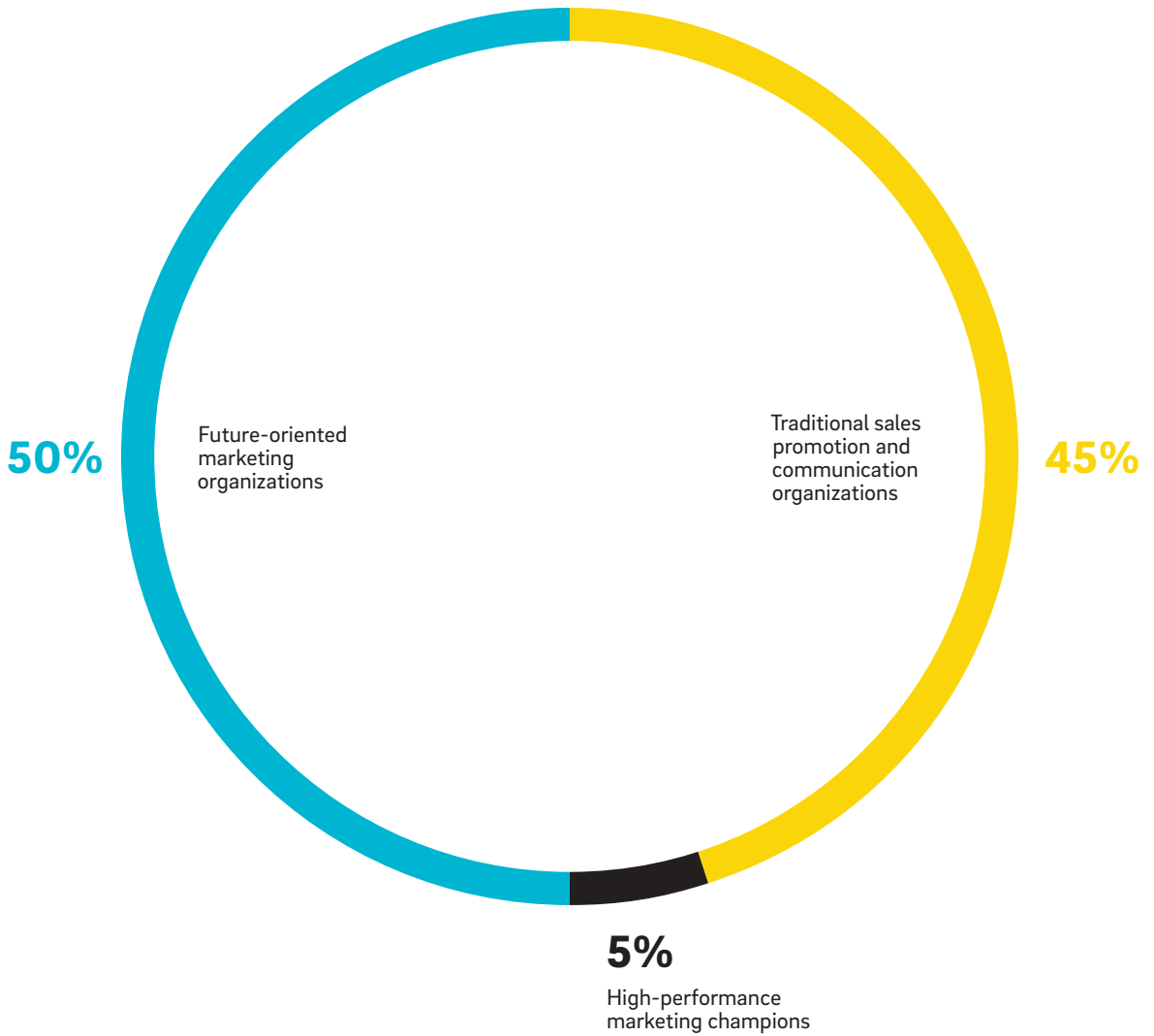


1) Percentage who rated the discipline as very important against those who claimed strong competency in it

G

ORGANIZATIONAL STAGE

Maturity and professionalism of marketing



Wow every day. Over- come the digital gap.

Digital is becoming the new normal – everyone is agreed on that. But what does digital really mean for consumer goods?

In the survey 73 percent of decision-makers in marketing and 79 percent in sales said they felt under great pressure to "digitally transform" their company. The pressure comes from competitors introducing new technology, game-changers introducing new business models, and customers increasingly demanding digital innovations.

Overall, more than one-third of consumer goods companies say that digital transformation is the major challenge for them going forward. A slightly smaller proportion expect to experience significant disruption and see changes in their business model. At the same time, under 10 percent of marketing managers and 20 percent of sales managers describe their current level of digital maturity as "high" or "very high". That means that consumer goods companies are well aware that they need to ramp up their digital capabilities – and start surfing the waves of disruption with style. → **H**

But who is responsible for digitization within consumer goods companies? How do such companies organize the process of digitization?

The survey revealed that less than ten percent of consumer goods companies have a "chief digital officer" (CDO). This function has not yet become a reality for most. Usually, the responsibility for digitization lies with the board, the management, or the marketing function. It is interesting to note that the marketing function is given as the second-most-important driver of digital transformation after top management within consumer goods companies. This supports our hypothesis that marketing will become one of the central functions at the customer interface in the digital end-game.

However, marketing is under-equipped to develop its full digital power. The marketing function should be the central driver of digitization but it lacks direct responsibility and the internal power to develop and monetize data-driven business models. Also, 60 percent of marketing functions are officially in charge of building sales channels but only 18 percent control the e-commerce channel within their company. And although marketing needs the right tools to digitize marketing and sales processes, three-quarters of consumer goods companies invested less than EUR 1 million in digital systems and resources in marketing over the last three years. With such a low budget it is impossible for them to compete with more digitized players. As a result, one-third of decision-makers in marketing say that they have trouble setting up the right data systems and introducing the necessary marketing automation tools. This is a major problem for consumer goods companies, whose central marketing challenges lie in improving the digital consumer journey (according to 59 percent of respondents) and integrating traditional marketing campaigns with digital campaigns (44 percent).

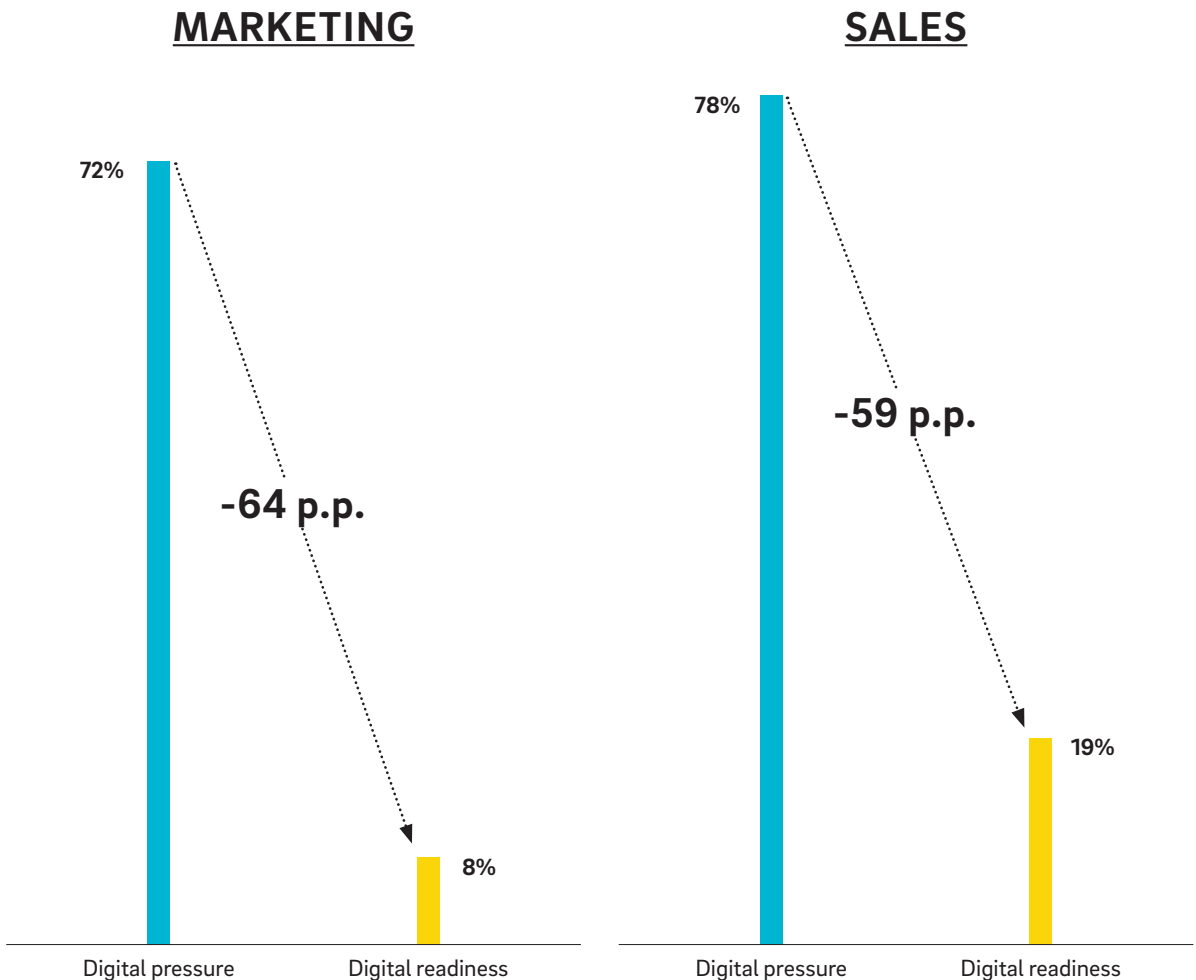
PRO TIPS



- Assess your digital transformation needs and your current digital state, then define your digital strategy.
 - Invest in systems and automation – not just in personnel.
 - Follow a "digital first" strategy.
-

H

THE PERCEIVED DIGITAL GAP



Source: Roland Berger

CONCLUSION Consumer goods companies today are facing wave upon wave of disruption. To take your organization to the next level, you need to turn these powerful forces to your advantage – choosing the right waves to tackle and then surfing them with style. Some companies prefer to play it safe in the shallows. Some are still on the beach building sandcastles. But to become a true champion you need to head out to deeper water and catch some serious waves!

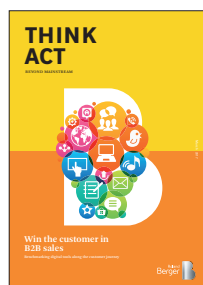
ABOUT US

Roland Berger, founded in 1967, is the only leading global consultancy of German heritage and European origin. With 2,400 employees working from 34 countries, we have successful operations in all major international markets. Our 50 offices are located in the key global business hubs. The consultancy is an independent partnership owned exclusively by 220 Partners.

Navigating Complexity

For half a century, Roland Berger has helped its clients manage change. Looking at the next 50 years, we are committed to supporting our clients conquer the next frontier. To us, this means navigating the complexities that define our times. We help our clients draft and implement responsive strategies essential to success that lasts.

FURTHER READING



WIN THE CUSTOMER IN B2B SALES Benchmarking digital tools along the customer journey

Your partner's birthday is coming up. You go online, do a quick Google search and spend a few minutes browsing a variety of products. Everything you need to make an informed decision about the ideal gift is right in front of you on your screen, including detailed descriptions, delivery times, customer reviews and alternative product recommendations. Companies would do well to aim for this kind of customer journey in B2B sales.



INSIDE THE CUSTOMER'S MIND Successfully decoding the digital customer genome

Internet giants like Amazon are winning market share. Why? Because they understand a fundamental point – Customers like offers that are tailored to their needs. To do this, it is necessary to understand customers at the very beginning of the customer journey, knowing what they want before they know it themselves, and having the right offer in terms of pitch, recommendation and price.

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