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WHITE PAPER

Why Distributors Need a Solution to Execute Suppliers' KPIs

Bringing Retail Execution and Profits to the Next Level

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> *"I have been waiting to publish this for 15 years. Now seems like the time, as the way suppliers and distributors are doing business is changing and the level of competition is escalating."*
>
> *- Tim Jones, GreatVines Co-Founder & Chief Customer Officer*

Beverage distributors are not just order takers and delivery services. But, as independently owned and operated businesses, distributors have always been reluctant to invest in anything that didn't deliver immediate returns of operational ease and efficiency. New warehouses with increased capacity or improved systems for picking orders are typical investments distributors make. But as the industry becomes more competitive and advanced in many ways, other methods to drive increased profits are becoming more important to distributors. In particular, effectively managing the execution of strategic imperatives at the account and sales rep level are critical to success. Here is why:

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1. Supplier's are demanding it.

   Suppliers are consolidating and becoming more powerful. Since distributors are the suppliers' customer-facing agents, suppliers are demanding more from their distributors' sales forces, including requiring exclusive selling divisions, more human resources aligned with their target markets, and better execution of strategic retail sales initiatives. While suppliers are theoretically "not responsible" for retail execution, they are fully tuned into the concept of executing against leading indicators known to drive sales, and are increasingly reliant and focused on their distributors to do this important work.

   Executing brand strategies at retail is key to distributors keeping suppliers happy, which yields several benefits for distributors. When distributors prove they can do the important work to build brands at retail, suppliers are able to reduce their internal sales resource levels. This frees supplier capital that may be better spent on A&P for marketing to consumers. Or they may opt to fund a line extension or even to retain the capital as profit added to the bottom line. This makes suppliers happy. When suppliers are happy, they are more amenable to allowing distributors to increase their margins; a critical factor needed for distributors to increase their own profitability.

   In addition, happy suppliers are more likely to commit to long-term contracts with distributors. This guarantees stability and consistency of future revenues which may be leveraged to negotiate better terms with lenders and financiers who support distributors' ability to grow or acquire operations in different markets. With better margins and long-term contracts with suppliers, distributors are well on their way to achieving their goals.

2. Distributors need to maximize the strength of their portfolio and beat the competition.

   Each market is a duopoly or close to it. There is little white space in terms of product. The beverage space is simply getting more and more competitive everyday. If a distributor wants to sell more of their products, they need to do the hard work of executing with excellence at retail.

Just getting a product into distribution and delivering cases doesn't cut it anymore. Smaller, niche products have penetrated accounts utilizing the startup mode strategy of over investing in field sales resources and promotions. This secures visibility and steals market share away from the established core brands in the market. Distributors can't afford to be "out executed" at retail by hungry competitors who are driving sales through exploiting leading indicators in their qualitative sales efforts and activities.

What follows is a classic example of how important it is to execute with a focus on strategic leading indicators:

Distributor A

Enjoys a large portfolio of big brands. Rep visits Key Account 1 and writes a large order which includes a few cases of a well-known rum, Brand "X". Rep discusses an invoice issue, drops a sample and moves on.

Distributor B

Has a smaller portfolio of niche brands. Rep visits Key Account 1 and presents a new rum, Brand "Y", hosts a tasting for the staff, and socializes with bartenders to make a few different cocktails with it. She asks to be placed on the drink menu and offers to reprint it on the spot. She follows up later that night with a staff training, and sticks around to buy a dozen consumers samples of the new cocktail on the menu. She stops by a few nights later and offers samples to another dozen customers at the bar before training the remaining staff.

Distributor A Rep logged an acceptable order for Brand X on his visit. Yet the reorder was slow to come because the competitor, Distributor B Rep, took the strategic steps of garnishing a new menu placement and providing attention to the staff and consumers in the account. Over time, Brand Y built up significant momentum while Brand X became a slow-moving product in the account. All because Rep A was "out executed" by Rep B. Distributor B Rep focused on the menu placement, staff training and consumer sampling—all of which are leading indicators of sales/sales drivers, while Distributor A Rep focused on simply taking an order.

The question is, "How does a distributor get its sales force to change their behavior and focus on the leading sales indicators rather than the order taking?"

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The standard business process wherein suppliers "manage" distributors to execute at retail is complex, unorganized, and highly inefficient. Distributors are bombarded with multiple requests from multiple suppliers to execute leading indicating initiatives (or KPIs), not to mention lagging indicators of volume and points of distribution goals. In total, a sales team may have over 50 or more "programs" to execute in a given month. Distributors are barraged with such requests every day via emails, meetings, phone calls and voicemails. Worse, these requests are submitted in numerous different formats that must be modified to conform to the distributors' unique workflow, approval processes and business rules. Since distributors rely largely on suppliers to dictate their brand execution strategies, a large amount of collaboration is required to complete the process. Here is how the process works:

1. Supplier determines their key sales drivers/leading indicators (KPIs) for each product and targets retail channels and segments, which should deliver the desired sales volume.
2. Supplier sets goals around levels of execution against these KPIs, believing that if the distributor executes the KPIs, the volume will come.
3. Supplier then allocates trade funds (both their own and distributors' negotiated funds) to drive the execution of these KPIs through incentives directed at the distributor sales force to achieve the KPI goals.
4. These directives come down from suppliers in the form of a "program" or execution calendar negotiated and planned annually, quarterly and monthly, to be approved by distributor management.
5. The KPI execution initiatives are communicated to the distributor field sales teams to execute in a timely manner.
6. Distributor reps report back on their completion/execution results and distributor management validates before earned incentives are paid.

Managing and executing plans on a large scale can be daunting prompting many suppliers and distributors to cling to tried and true, but woefully outdated methods. Given the importance of executing leading indicators at retail and the vast number of initiatives this involves to succeed, efforts quickly grow very complex. Inefficient or suboptimal management of the process typically results in poor results against the leading indicators along with frustrated sales teams and suppliers. Consequently distributors achieve poor sales volumes or sales are poorly aligned with their brand account segmentation strategy.

In addition to the lost revenue and long-term issues of products being promoted in the wrong places, significant man hours are wasted managing inefficient efforts. Relationships are challenged. Trade funds are wasted. Sales reps are poorly focused and frustrated because resources are not optimized. Conversely, a well executed process delivers optimized resources, maximized sales volumes and profits, and strategic activity solidifying the future health of the brand. Strong scores against leading indicators are truly the most important metrics for any business.

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To effectively execute leading indicators, distributors must deploy a technology solution to the Plan, Execute and Measurement the efforts. The technology must facilitate collaboration and provide transparency throughout the process. Relying on email, different versions of spreadsheets and voicemails to manage this process is proven to deliver poor results.

Here is an example which quantifies the size of this task which, without any technology in place, is obviously impossible to manage with any degree of accuracy.

A large supplier with 20 brands may have 5 strategically imperatives (leading indicators/KPIs) to execute per brand, per quarter resulting in 100 executable programs per quarter totalling 400 per year. A single distributor sales division / sales person may have to execute 2 KPIs per brand, per quarter for a total of 10 KPIs per quarter totalling 40 per year. When you multiply the # of KPIs times the number of accounts a rep services (say, 50), the number of individual KPIs a single salesperson needs to execute easily surpasses 2,000 per year for just this one supplier.

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A solid solution includes the following essential elements. It must:

1. Be flexible enough to handle the needs of different suppliers and brands
2. Be scalable to handle dozens of suppliers and hundreds if not thousands of brands
3. Have native collaborative capability to handle both inter and intra-company workflow
4. Have the ability to plan the KPIs and associated trade spend budgets
5. Have multi level workflow and approval mechanisms
6. Be able to deliver the plan of programmed KPIs to the field sales team in a mobile device for execution and tracking
7. Include ability to upload photos of execution
8. Include reports and dashboards in a mobile application to keep field teams aware of performance, focused on objectives and motivated to achieve
9. Include advanced analytics to assess performance across the sales force over time and provide visibility to both supplier and distributor executives
10. Provide supporting CRM and task/objective management capabilities in the mobile app to help field sales reps scale their efforts, close gaps in every account, and achieve better results as they work their plan

The primary results of a well-executed process are:

- Increased sales volume and profits for both supplier and distributor
- Stronger relationships between the partners
- Healthier brands.

Having the right business process is critical to success. Supporting the sales function to execute that process is mission critical. Adoption of the right sales methodology results in aligned and happy supplier partners, a sales force that is energized, appropriately compensated and focused on what is important. The right tool can deliver against this mission critical sales process to bring execution at retail to new heights and profits to the next level.

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About GreatVines

GreatVines is a privately held company with a strong team of implementation consultants, advanced software developers and subject matter experts. GreatVines, LLC is based in Portland, Oregon, with team members in Los Angeles, Northern California (Napa) and New York. Since no software is required to install, GreatVines is able to work with producers and distributors worldwide!

GreatVines aims to provide superior software solutions for producers and distributors of wine, spirits and beer. The team's focus is constant innovation, leveraging the best technology available. As a Force.com ISV partner (Independent Software Vendor) of Salesforce.com (NYSE:CRM), GreatVines is able to leverage the technological strengths of the Force.com platform while applying its industry expertise to develop specific application features and functionality unique to the Beverage industry.

www.greatvines.com
888.547.4505

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