

Metrics that Matter – to the Customer and McCain.



Metrics that Matter has been created as an input to evolving Commercial Acumen i.e. stepping up from product centred conversations to business conversations across the customer's value chain.

Commercial Acumen =



What you'll learn in this module

- The metrics that keep customers awake at night and the causal factors.
- Their connectivity to Growth-Efficiency-Engagement.
- How these the "new currencies" can be used to positively impact different customer metrics and benefit McCain.

It focusses on the make up of our customers P&L, identifies their main pressure points before then showing how the "new currencies" under Growth-Efficiency-Engagement can be used to positively impact them.

The outcome

- Increased confidence to:
 - Have broader commercial discussions with customers about their financial challenges.
 - Positively contribute to solving the customer's financial challenges by connecting them to solutions offered by McCain.
 - Go beyond product only.

For each "currency" there is "food for thought" on the type of solutions that could be considered by different customer types. These are not definitive and not yet all available in McCain's core ammunition.

They are indicative of what winning suppliers are talking about and any self-motivated Customer Leader would be able to use their industry, customer and McCain knowledge to have a point of view that would be sufficient to open a conversation that leaves a customer wanting to know more against which a fuller solution could be developed quickly if it's required.

Your role as a Sales Leader is to:

- Familiarize with the content.
- Think about how you want to develop this muscle with your teams e.g. If Commercial Acumen Challenge 1 has been completed the team could use the knowledge gained about the customer's priority metrics in conjunction with this content to work up a solution that doesn't start with product.
- Influence internally to ensure your team's are supported by other functions (possibly from Finance, Supply Chain and Marketing).
- Coach the team through building their capability by asking them about their customer's priority metrics and encouraging them to think creatively about solutions.

What's in the teams learning material.

The basic construct of the customer's P&L and a representative shape for their customer type. This shows their significant buckets of cost and how they vary across Retail, QSR, MEU, Independents and Distributors.

The shape of the P&L varies

Cost breakdown as a %age of sales

(Click on the Channel name for a deep dive)

The component parts	Retailers	QSR	MEU	Independent	Distributor
Sales	100	100	100	100	100
Cost of Goods	75	28	28	35	65
Waste/Shrinkage	2-1	2-1	2-1	6-4	2-1
Labor	12-10	23-15	23-15	30-25	6-5
Supply Chain	6-4	6	6	0	22-20
Utilities/Occupancy	2-1	8	10	23	2-1
Marketing	2-1	12	5	1	2-1
Net Profit (%age range)	1-8%	21-30%	26-35%	5-12%	1-7%

Source: Quantis

COGS and Labor are typically the cost metrics most focussed on because small changes make a big impact on net profits but in Distributive the Supply Chain costs are an additional focus.

("Prime costs" is the name that Restaurants give to COGS + Labour. They target them to be no more than 60% of sales).

Exploring the P&L headwinds and tailwinds - Retail



Costs as a %age of sales

The component parts	Retailers
Sales	100
Cost of Goods	75
Waste/Shrinkage	2-1
Labor	12-10
Supply Chain	6-4
Utilities/Occupancy	2-1
Marketing	2-1
Net Profit (%age range)	1-8%

Headwinds	Tailwinds
<ul style="list-style-type: none"> Increase in food consumption OOH &/or supplied through Home Delivery. Fewer store openings delivering organic growth. Supplier price increases and the willingness to pass them through to shoppers for fear of losing them. Brands shifting focus & investment to OOH. 	<ul style="list-style-type: none"> Low unemployment & increasing consumer confidence. Private Label perception improved & share increased. Industry wide challenge rather than customer specific.
<ul style="list-style-type: none"> Reduced store traffic may mean slower rates of sale leading to more waste on perishable/fresh produce. Wage inflation. Increased services like Click & Collect, e-commerce & a focus on shopper experience require different skills. 	<ul style="list-style-type: none"> Social pressure to reduce or "do good" as part of the CSR agenda. Staff retention rates remain high. Robotic technology improving as a replacement for e-comm order picking.
<ul style="list-style-type: none"> Growth in e-commerce has driven increases. Increasing fuel costs & lack of drivers. Price increases from service industries e.g. Insurance/utilities and the ability to pass them on in price to shoppers. 	<ul style="list-style-type: none"> E-comm models are evolving - potential to use third party delivery solutions & explore driverless deliveries. Collaborations for renewable energy resources/energy saving initiatives in stores & distribution centers.
<ul style="list-style-type: none"> Investment in technology and new platforms to enhance the shopper experience. More effort required to retain shopper spend instore. 	<ul style="list-style-type: none"> The ability to use digital to scale targeted communication as a driver of sales. The Retailers brand equity remains high.

For each of the customer types there's a deep dive in to the headwinds and tailwinds shaping the P&L structure. This is to provide some context about the environment the customer is facing in to so that the Customer Leaders can step in to their customers shoes and explore these further.

There's a look at Working Capital, why it's important and how Customers take advantage of suppliers admin errors to improve their cashflow.

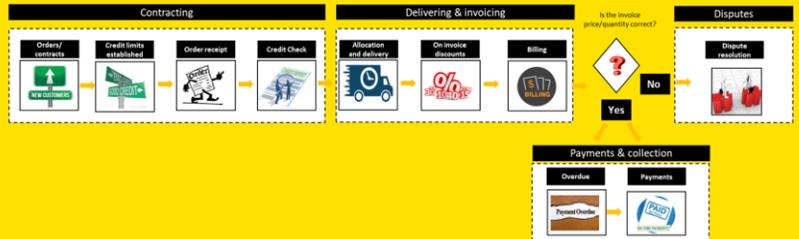
The key message here is that this also impacts on McCain's cashflow so good housekeeping is important to eliminate opportunities for customers to behave badly!

Working capital is a key metric for all

- It's the amount of free cash-flow a business has to use in its day-to-day trading operations.
- The more cash there is in the bank, the more possibilities they have - from promotions to buying businesses.
- Working capital is a measure of a company's efficiency and its short-term financial health.



Typical touchpoints that Sales can influence through accurate customer information



Other "Growth" metrics

Typically looked at as trends, comparisons across time periods

- Footfall/Traffic**
 - The number of people entering the business i.e. crossing the door accessing an e-commerce site.
- Buying customers**
 - The number of people who spend e.g. it's possible that not all of the footfall/traffic will convert to customers (some turnaround and walk away).
- Average customer spend/order value/basket.**
 - The total sales revenue divided by the total number of customers/covers.
- Sales per square feet**
 - Retail/Wholesale - the average revenue from one square feet of space.
- Up selling revenue**
 - Restaurants - the value of upgrades or other add-ons to the order e.g. sides, drinks, desserts, appetizers.

Other "Efficiency" metrics

Typically looked at as trends, comparisons across time periods

- Product availability/out of stock/on shelf availability**
 - The availability of products for sale to a "shopper" in the place they expect it and at the time they want to buy it.
- Fill rate**
 - Distributive/E-commerce - the percentage of orders satisfied from available stock.
- Rate of sale/sell through/stock turn**
 - The speed at which available stock (products/goods/dishes) is sold - the faster the better.
- Seat/table turnover**
 - Restaurant - The number of times a seat/table is used by different parties during a particular meal period or time.

A brief overview of other metrics that customers may have as kpi's is included so that the teams have these in their line of sight.



So which metrics can we support and with which "new currencies"?

Usual sign off procedures apply.



The component parts

Sales	GROWTH <input checked="" type="checkbox"/> EFFICIENCY <input type="checkbox"/> ENGAGEMENT <input type="checkbox"/> <p>(Click on the tile for a deep dive)</p> <p>Penetration: More customers Frequency: More often Spend: More purchases/Up-trading Demand creation Category insight & management</p> <tr> <td>Cost of Goods</td> <td>Cost of goods Mix</td> </tr> <tr> <td>Waste/Shrinkage</td> <td>Waste and shrinkage control</td> </tr> <tr> <td>Labor</td> <td>Labour efficiency</td> </tr> <tr> <td>Supply Chain</td> <td>Transport costs</td> </tr> <tr> <td>Utilities/Occupancy</td> <td></td> </tr> <tr> <td>Marketing</td> <td></td> </tr> <tr> <td>Net Profit (%Age range)</td> <td></td> </tr> <tr> <td>Working Capital (Cash)</td> <td></td> </tr>	Cost of Goods	Cost of goods Mix	Waste/Shrinkage	Waste and shrinkage control	Labor	Labour efficiency	Supply Chain	Transport costs	Utilities/Occupancy		Marketing		Net Profit (%Age range)		Working Capital (Cash)	
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Stock turnover | Inventory levels | Payment Terms | Collaborative planning and Forecasting

[Click here to go forward](#)

The currencies under Growth – Efficiency – Engagement have been lined up against the P&L. For each of these, there's a click through to a more detailed explanation.

The deeper dive pulls out a:

- Description and scope.
- Key principles.
- Food for thought on the kinds of topics/solutions that would be relevant to different customer types that McCain could use to fuel business conversations.

New currency: Growth **Solution: Penetration, Frequency and \$ spend campaigns** **Metric impacted: Sales**

Description and scope:

- Addressing opportunities to supporting 2 streams of revenue:
 - The customers base rates of sale.
 - Attracting incremental sales through short term activities (promotions).

Key principle:

- Increasing base rate of sale delivers full profit to the customer so is preferred over short term tactical promotions. Doing this relies on the relevance of the customers core offer to their target market, the experience and environment they deliver to their target market, the customer's ability to reach and engage it's target market in the offer.
- Promotions are pivotal to driving short term incremental sales but over reliance on promotions is often financially detrimental to the customer's brand perception (and suppliers brands where it's visible e.g. in Retail by Consumers or Distributors to Operators). Using the right promotional mechanic vs. the opportunity (penetration, frequency and \$ spend) is critical, as is ensuring great outlet execution.

Food for thought:

Retailer	QSR	MEU	Independent	Distributor
<ul style="list-style-type: none"> • Base rate of sale drivers to explore with the customer: • Category/segment performance analysis to identify under trade areas. • Category/segment advice on range and space (particularly on under-trade areas). • Out of stock/availability issue, particularly at peak shopping times. • Category location either primary or secondary to drive associated sales e.g. full meal solutions. • Macro category space allocation to sales vs. other from categories. • Category signposting and PDSM to improve visibility. • Category and/or McCain promotional strategy recommendations. • Align promotional mechanics to the shopper opportunity (see/Play/Way). • Review impact of promotions on base sales (over promoting "train" shoppers to buy on deal). • Review stock availability during promotions. • Review in store execution. 	<ul style="list-style-type: none"> • Base rate of sale drivers to explore with the customer: • Quality of the eat – e.g. what guests are saying, benchmarking across different times of day, looking at hot hold times, service temperatures. • Core menu evolution – insight to culinary/food trends and how to integrate to the menu. • Connections to opportunities for new occasions e.g. via the McCain platforms of Eggs, Legs and Kags. • Promotional recommendations: <ul style="list-style-type: none"> • LTD's using new or existing ingredients in a different way e.g. Onion Rings from sides to a Burger topping. 	<ul style="list-style-type: none"> • Base rate of sale drivers to explore with the customer: • Quality of the eat – e.g. what guests are saying, benchmarking across different times of day, looking at hot hold times, service temperatures. • Core menu evolution – insight to culinary/food trends and how to integrate to the menu. • Connections to opportunities for new occasions e.g. via the McCain platforms of Eggs, Legs and Kags. • Digital presence – the quality of the menu/offer on different platforms (particularly food photography). • Promotional recommendations: <ul style="list-style-type: none"> • LTD's using new or existing ingredients in a different way e.g. Onion Rings from sides to a Burger topping. • Loyalty program participation. • Actively targeting lost customers through comms and offers. 	<ul style="list-style-type: none"> • Base rate of sale drivers to explore with the customer: • Core menu evolution – insight to culinary/food trends and how to integrate to the menu. • Connections to opportunities for new occasions e.g. via the McCain platforms of Eggs, Legs and Kags. • Digital presence – the quality of the menu/offer on different platforms (particularly food photography). • Promotional recommendations: <ul style="list-style-type: none"> • "Specials" using new or existing ingredients in a different way e.g. Onion Rings from sides to a Burger topping. • Loyalty program participation. 	<ul style="list-style-type: none"> • Base rate of sale drivers to explore with the customer: • Category/segment performance analysis to identify under trade areas. • Category/segment advice on range and space (particularly on under-trade areas). • Out of stock/availability issue, particularly at peak ordering times. • Category signposting and PDSM in hard/soft copy catalogues to improve visibility. • Order review and profiling e.g. identifying Operators buying meat parties but not a Fry. • Category and/or McCain promotional strategy recommendations: • Align promotional mechanics to the Operator opportunity (see/Play/Way). • Review impact of promotions on base sales (over promoting "train" shoppers to buy on deal). • Review stock availability during promotions. • Review execution/comms, supporting promotions across all touchpoints.

[Click here to go back to previous slide](#)

This should be used to inspire the thinking of Customer Leaders and show the breadth of sales ammunition beyond product. Using a broader range of solutions builds trust and confidence in McCain as a supplier who has the customers best interest at heart. Ultimately it leads to McCain being the supplier of choice and the acceleration of profitable topline sales.

Take some time to reflect



1. How many of the customers metrics are you actively supporting?
 2. How often do you default to lead with a product based conversation?
 3. How can you shift the conversation to demonstrate value beyond product in your next customer meeting?
- Which metric and solution can you start will you choose?

Throughout the module there are reflection points and opportunities to capture some thinking.

As a coach, these are areas to discuss and explore with the team i.e. their take outs, learnings and commitment to action.

Suggested questions to start a coaching conversation

- What have we learned about the customers metrics and what there targets?
- Which metrics are important to your customer?
- What evidence have you seen or heard from customers that supports these being the metrics that matter to them?
- Which ones are causing the customer real tension? What are the underlying causal factors?
- How are they trying to solve for this? How effective is it being?
- If you were the customer, what would you be doing to try and solve these tensions?
- As the GM of the McCain business with the customer how should we be supporting the customer to positively impact their challenges?
- What actions are you taking to eliminate their bad behaviors towards us across Orders to Cash?
- What difference are these actions taking?
- How can I help/support you?

