



ECR *Europe*
Efficient Consumer Response

JAG

**Introduction to
the Jointly
Agreed Growth
Process**

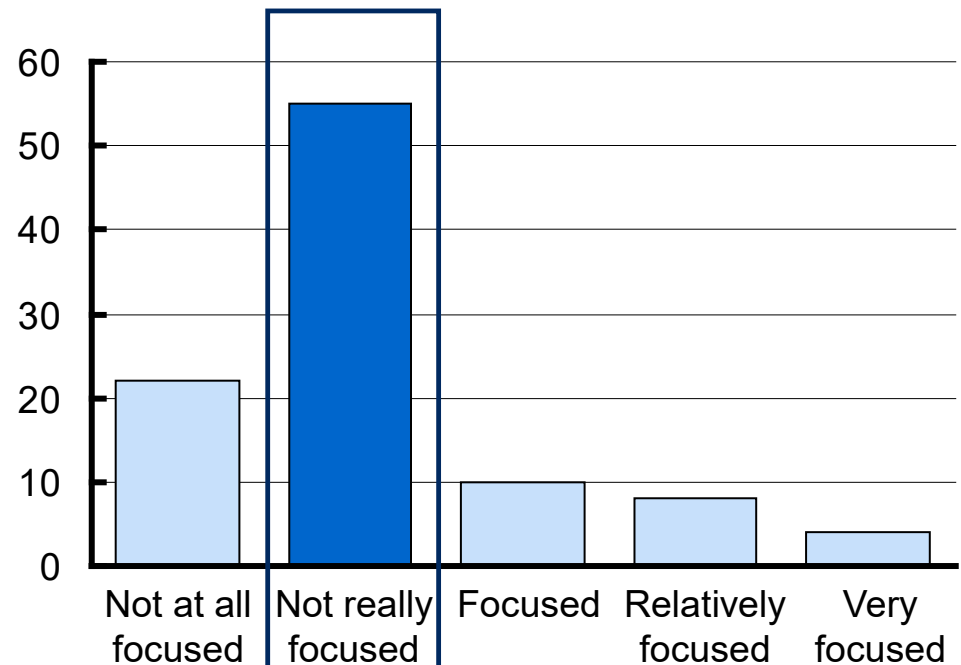
THERE IS A LACK OF ENTREPRENEURSHIP, HENCE GROWTH

“We need to create and develop economic activity by blending risk taking, creativity and/or innovation with sound management” – EU Commission “Action Plan for Entrepreneurship”, 2004

“We have become risk averse: rather than Play to Win, we would rather Play Not To Lose - ECR Co-chair Demand

Entrepreneurship is one of the 7 indicators of innovation tracked by the European Commission in its European Innovation Scoreboard

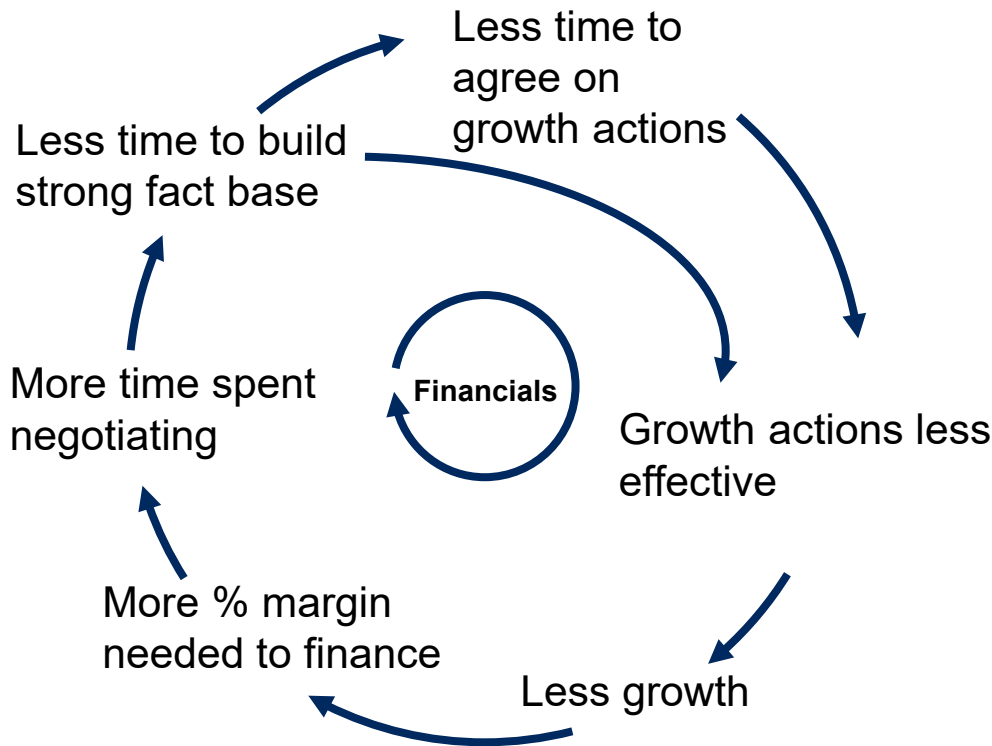
How focused on the consumer and shopper, on driving demand and generating growth, is the current negotiation model in Europe?



Source: ECR Europe Conference

THE JAG: A MORE RATIONAL FRAMEWORK FOR NEGOTIATION, WHICH WILL ALLOW MORE GROWTH TO COME ON THE MARKET

Current approach...



Jointly Agreed Growth (JAG)

JAG

- Jointly develop clear, fact based, understanding of market context and trends
- Jointly develop growth strategies
- Sign a business plan focused on driving demand and generate growth ...

- Offers a framework for negotiation

"It is not the last penny you leave on the table that determines whether or not the retail company is going to be successful. It is whether or not you work together to best satisfy that customer ... that allows you to sell more" – ECR Conference

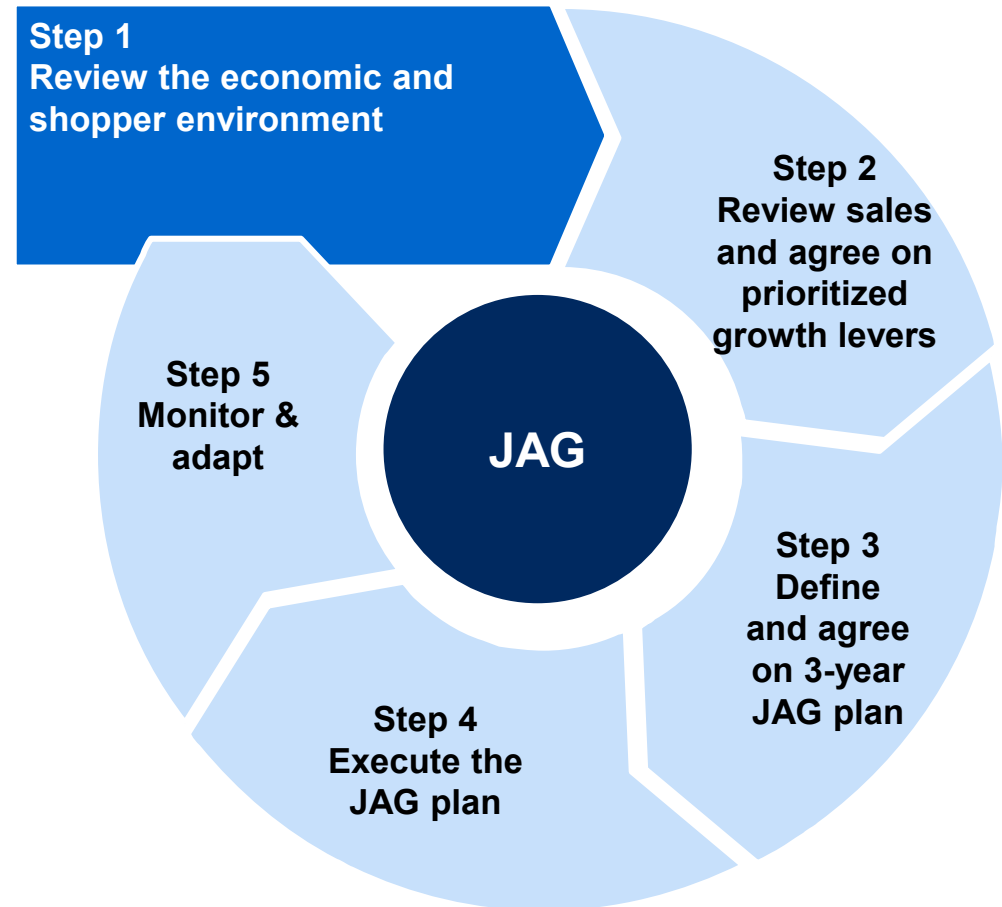
THE JOINTLY AGREED GROWTH (JAG) PRINCIPLES

- **Grow the grocery market** in a sustainable, profitable and competitive way to ensure the **highest shopper and consumer satisfaction**
- Deliver **commercial benefits for each party**
- Be **open to every company** bringing in knowledge and capabilities, regardless of its category
- Establish a **fact-based joint process** in which data and insights are shared
- Be **committed to a clear execution plan**
- **Allocate the required resources** for the execution of the plan within the agreed time frame
- **Review the JAG process on a regular basis**
- Respect the **Confidentiality Agreement**
- **Comply with all laws:** competition, health, environment, and intellectual property
- **Involve senior commitment to ensure the 3-year time frame** engagement required by the JAG

PROCESS STEPS FOR SUCCESSFUL JAG COLLABORATION

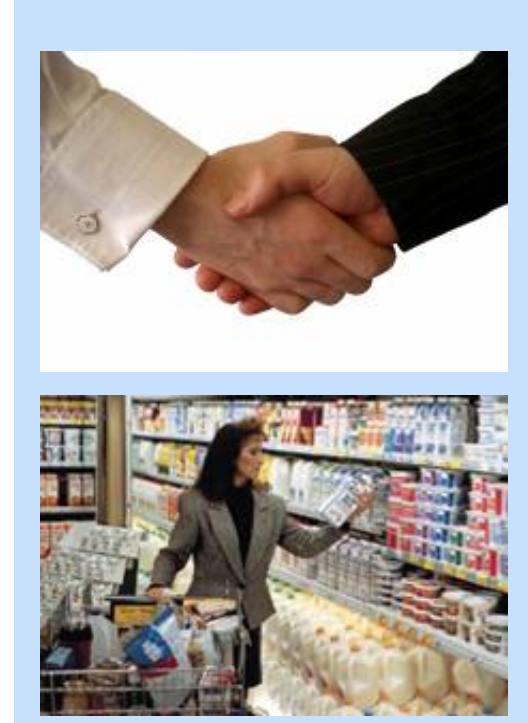
JAG process

- a three-year rolling JAG plan
- Annual milestones to be set
- Program reviewed throughout the year
- Buyer-Seller accountable for functional liaison, planning coordination, agreement and execution follow-up
- Cross-functional teams drive analysis and planning to support Buyer-Seller



What's "new" about JAG?

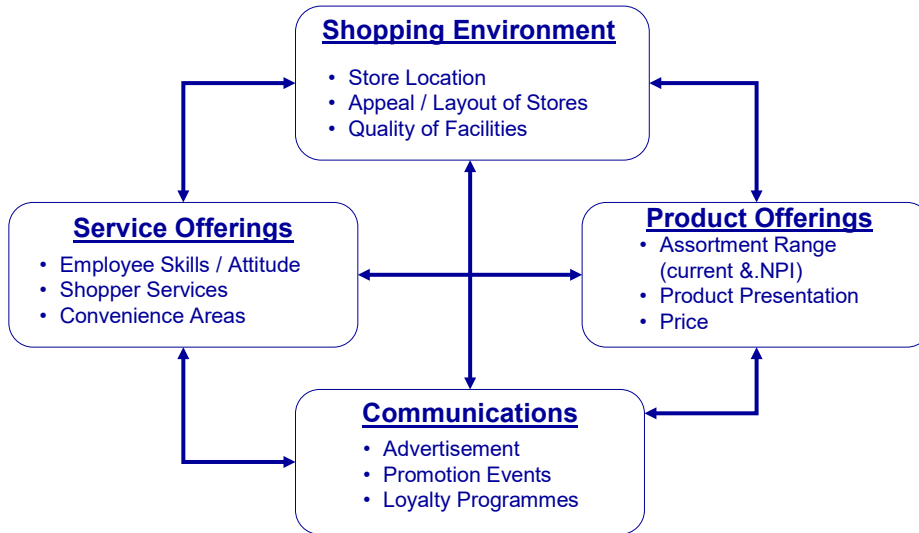
1. ... a **shopper-centric approach** to business planning and negotiation
2. ... a **fact-based** approach allowing reliable quantification of the opportunities & objective selection of growth targets
3. ... a **co-generated growth plan** to drive demand by increased consumer and shopper satisfaction
4. ... a **three-year rolling** business plan with annual reviews



Success is dependent upon shopper focus, joint entrepreneurship and continuity

GROWTH WILL COME FROM BEING INNOVATIVE ALONG ALL LEVERS

The Levers of Growth



ECR Europe, Consumer Value Measurement, 1999



At all levels of shopper interaction in the store...

... let's give the desire to buy!



"We need find a better balance between the reforms which stimulate offer and the ones which stimulate demand" – OECD

"Let's give the desire to buy" – ECR Conference

WHY A 3 YEAR JOINTLY AGREED GROWTH (JAG) PLAN ?



To monitor and work more closely on new trends development



To address the imperatives of sustainability



To build strategic vision and assess more effectively strategy's returns



To offer a framework to improve the current commercial mindset



To build business continuity

And consequently,



It allows more innovation and growth to come into the market

The JAG process – Step 1



Objectives

- Develop common understanding on overall context for growth
- Build rationales to justify growth targets

"Consumption growing yearly at 2%, ..what about our sales growth?"

"Do household have money? Are they using it?"

"Convenience channel growing at the expense of ..."

"1-member households growing, how to adjust our offer?"

Agreement on market dynamics, possible strategic orientation and first growth assessment (e.g. 2%)

The JAG process – Step 2

Step 1: growth at 2% (linear growth on 3 years)



Objectives

- Diagnose category dynamics
- Understand where incremental growth comes from (market and trade partners)
- Estimate potential financial impact of various growth strategies
- Draft action plans

Increased penetration / traffic



Increased frequency of purchase



Increased transaction size

Are new products driving growth or are shopper loyal to current range?

What assortment for which types of shoppers and shops?

How best to present & communicate products to shoppers (- shelf, store, .com, communication..)?

What stock and how to ensure availability?

Wich sales strategy for which investments, over a 3 year time frame?

Option A: 3% sales growth targeting z shoppers segments with investments y

Option B: 4% sales growth with investments x relying on regions w & y

The JAG process – Step 3

Step 1: growth at 2% (linear growth on 3 years)



Step 2:

Option A: **3% growth** targeting z shoppers segments with investments y

Option B: **4% growth** with investments x relying on regions w & y

Objectives

- Finalize JAG plan by agreeing on:
 - Growth Targets
 - Investments allocation
 - Activities
 - Key performance indicators (KPI) and JAG plan monitoring

Year 1: 2.5% growth
Year 2: 3% growth
Year 3: 3.5% growth

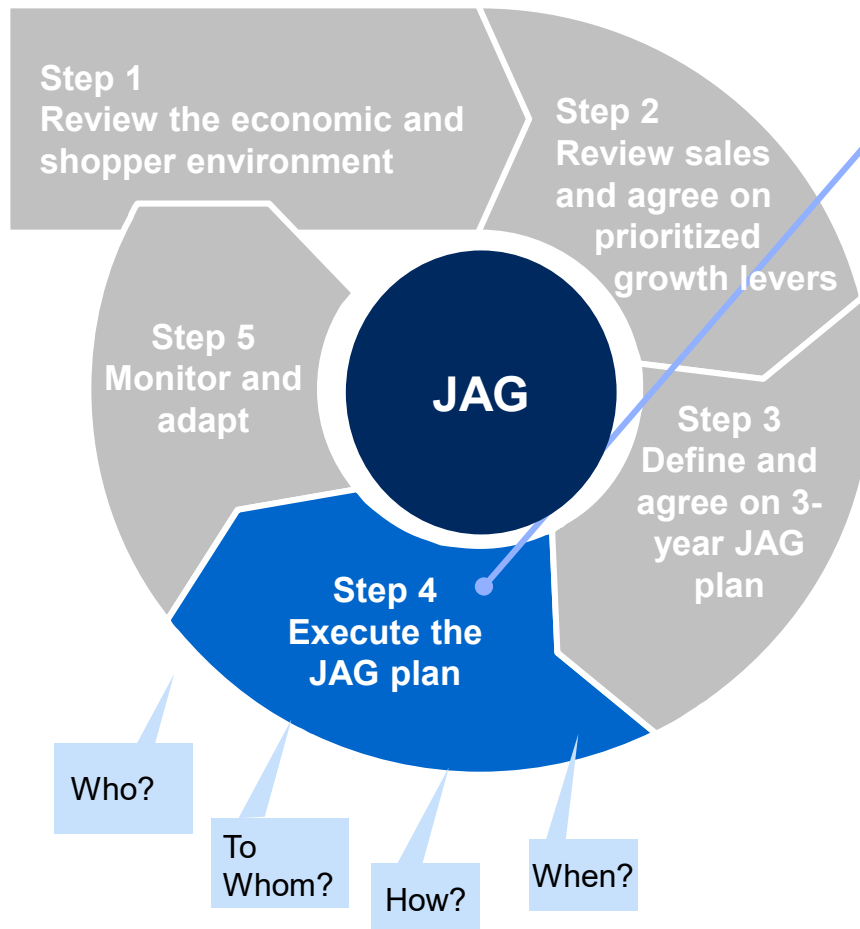
Growth by which shopper strategy (increase transaction, purchase frequency, penetration, shopper segments/regions...)?

Which growth for which investments for which activities (assortment, npi, in store displays...)?

Growth in terms of

Financial	Operational	Consumer/ Shopper
Value € Return on investments Productivity: *sales per store * Sales per sq meter GRP (ROI of marketing) Market share	On-shelf availability in % Speed to shelf in days (% ACV by x days) Inventory turn (rotation index) Quality of execution: *compliance of planogram point of sales visibility *compliance with marketing support	Trial & penetration % of target shoppers attracted to stores Satisfaction Repeat purchase Loyalty Basket size evolution Image enhancement (retail / brand, in different shopper segments)...
<div style="text-align: center; background-color: #0056b3; color: white; padding: 5px;">People</div> Engagement / respect of each other's timelines / Resource alignment		

The JAG process – Step 4



Objectives

- Ensure alignment on JAG plan
- Develop clear implementation plan that ensures a fluent progress of execution

The JAG process – Step 5

Objectives



- Ensure realization of targets of JAG collaboration:
 - Review project plans and monitor progress
 - Evaluate overall collaboration

Step 5:

Plan

Year 1: 2.5% growth

Year 2: 3% growth

Year 3: 3.5% growth

Achieved

2% growth



Year 2: 2.5%

Year 3: 3.5%

Which market/economic events can explain variances ?

Which competitors activities ?

Which capabilities or collaboration issues?

Materials available www.ecrnet.org/publications



Presentations

***Training Manual
(toolkit)***

Templates

