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CASE STUDY

Sales Performance Management: Guido Berlucchi S.p.A.



“Berlucchi has grown considerably in recent years, hence the need to install a system for the integrated management of our commercial and operational processes. With support from SDG Consulting, we have developed a model that integrates our commercial planning activities with performance control and management of the sales force.”

Dott. Roberto Sciogli
CFO Berlucchi SpA

Industry
Food & Beverage

Application Area
Business Process Management

The Client

Guido Berlucchi & C. S.p.A., Borgonato (Brescia), is the parent of the Berlucchi group which was founded in 1955 by Guido Berlucchi, Franco Ziliani and Giorgio Lanciani.

Berlucchi is Italy's leading producer of classic method spumante, with an annual output in excess of 5,000,000 bottles. The company's vineyards extend over about 630 hectares in Franciacorta, with a further 100 in Trentino and 150 in Oltrepò Pavese, and its three wineries are located at Borgonato (Brescia), Lavis (Trento) and Casteggio (Pavia).

The group also includes: Antica Fratta S.p.A., founded in 1979 at Monticelli Brusati (Brescia) with an annual production of 350,000 bottles from 9 hectares of vines, and Caccia al Piano 1868 S.p.A., founded in 2003 at Castagneto Carducci (Livorno) with an output of 100,000 bottles from about 18 hectares of vines.

The Requirement

Faced with growing competition, strong expansion in global markets, saturation at home and ever more demanding consumer behaviour, management at Berlucchi identified a series of priorities intended to sustain effectively the company's growth strategy:

- optimisation of commercial strategy via the diversification of sales channels, with a special focus on the Chain Retailing Channel which has expanded rapidly in recent years;
- definition of a sales planning model to help optimize commercial performance and monitor the results achieved;
- definition of a model for sales force incentives and credit management;
- management and usability, considering the various user profiles, of key information that is both necessary and sufficient for planning and analytical purposes at all levels.

These considerations gave rise to a need for models and technological tools capable of managing the business process as a whole: analysis of the results obtained and related variances, as well as management of and support for the sales force using dynamic tools accessible remotely.



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Clearly, all this had to be an integral part of the company's management information systems, without imposing restrictions at an operational level.

The Solution

A Management Intelligence project began with a view to meeting three main needs:

- guarantee provision of the information required by both commercial management and the sales force in the field;
- make an effective reporting model available to management, immediately capable of drilling down and showing the status of the various business components;
- develop a straightforward and flexible Sales Planning System.

The tool selected for the project, BOARD, was chosen because of its ability to support both the analytical processes and the planning and targeting systems.

In terms of methodology, the project comprised two macro phases. The first phase involved the design of a reporting model for controlling commercial performance, considering the various drivers within the marketing mix, and for sharing market information with persons in the field.

Summarising, the control system developed covers the following areas:

- Statistics for Orders, Shipments and Invoicing, available in the form of multi-dimensional daily reports;
- Credit Management;
- Customer Analysis;
- Benchmarking (Analysis of Nielsen data);
- Targeting system for the sales force.

This first model supported by BOARD resulted in the generation of a wealth of extremely important information, while also covering the key requirements of the sales force and the teams that coordinate sales activity. These conditions paved the way for the launch of the second phase of the project, focused on development of the Sales Planning System.

Sales Reporting

The control model was devised along established lines that involved performing the following tasks:

- identification of the classes of information involved in the selling and distribution processes;
- determination of the levels of detail required for these classes



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of information. Many detailed views are needed for the beverages sector: time, product category, customer, sales force, method of payment etc. These are accompanied by the need to monitor aggregation classes capable of clustering the information obtained on an ad hoc basis;

- optimisation of the information systems: for the model designed to function properly it must be capable of capturing data, on an accurate and timely basis, from sources that may not be consistent and which, in any case, are not optimised for specific reporting purposes.

Accordingly, based on the actual business dynamics, a Business Intelligence environment was created for the presentation of sales information considered from the various commercial standpoints typical of the sector, including:

- order date, delivery date, invoice date;
- focus on the customer-product combination;
- ad hoc analyses for chain retailers and traditional channels, both in Italy and internationally;
- verification of outstanding orders / delivery process;
- checks on the sales network;
- monitoring of customer retention (number of active customers).

The control model developed using BOARD has therefore made it possible to create a consolidated database, with multidimensional access covering all the dimensions analysed. This is able to support the definition of targeting and incentive systems for the sales force that are extremely effective in terms of achieving the budgeted results: in particular, using actual data it was possible to structure a series of operational tasks designed to improve sales activity in the field:

- pricing models for the customisation of individual sales contracts;
- definition of target payment terms using data derived from analysis of the sales ledger (such indicators as days to collect, days past due, DSO etc.);
- definition of targets for customer retention and customer acquisition (number, value etc.);
- definition of canvass objectives (mix of items sold for each type of customer).

Accordingly, using the available database, it is possible to establish targets based on the guidelines indicated above and constantly check on progress by reference to actuals.



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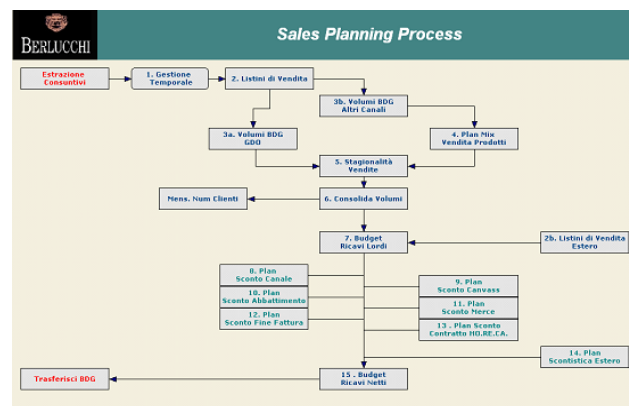
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The desire to monitor all aspects of commercial and selling activities requires recourse to various unrelated data sources that are not always available within the transaction systems used by companies. The business intelligence model was therefore implemented in order to ensure the completeness of available information, thus allowing:

- the benchmarking of performance in relation to domestic and international competitors, drawing on external databases that are structured differently and reorganising them in a manner suitable for the analysis and interpretation of data;
- the input of detailed information from sector guides covering certain market clusters.

Sales Planning

As with the targeting models for the sales force, the structuring of actuals information provides a pool of data that is both necessary and sufficient for the definition of a sales planning model



Using BOARD it is possible to manage an integrated process that takes account of all commercial variables, starting from the volume of sales to arrive at the conditions for every type of commercial discount.

The planning of volumes and therefore of list prices are prerequisites for the determination of invoicing objectives. To be effective, the model must consider sector dynamics and the drivers enabling market penetration: for this purpose, planning activities differ depending on the market segment targeted. In particular, the following distinction is made:

- Chain Retailing Channel, where the process is applied down to individual retail outlet level;
- HoReCa Channels, where plans are made at agent level.



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In both cases, tools native to BOARD allow the model to handle either a top-down or a bottom-up approach, thus ensuring maximum flexibility for the input of data and drawing in full on the potential offered by a multidimensional model. In the case of Chain Retailing, for example, objectives can be set at customer level, by buying group, by central purchasing department and by brand, working from the bottom upwards or vice versa.

One special aspect of the beverages sector and, specifically, of the wine segment, is the attention paid to the *Year of Production* dimension: this component is essential to the market distribution of these products. Here, the model allows the planning of volume to differentiate between:

- Bottles labelled with the year
- Bottles labelled with the year (declared vintage)

In the first case, the model automatically segments planned volumes with reference to available inventories drawn on a FIFO basis: holding brand-format constant, plans are made for the market distribution of older bottles. Conversely, in the second case, automation leaves room for specific action regarding individual SKUs, given the significance that the distribution of these items has in promotional terms.

Volume planning is an input for the determination of operating revenues: for this purpose, sales price lists must be established in order to identify the gross prices that, later, will be subjected to the various forms of discount allowed on the customisation of sales contracts with end customers. Here too, the planning model offers maximum flexibility in the setting of target prices in order to facilitate as much as possible the simulation of orders by sales management and agents.

The resulting budget information (Volumes, Prices, Discounts, Revenues) is then included in the reporting model in order to monitor the achievement of established targets and assess, via the analysis of variances, the corrective action to be taken in pursuit of the company's operating strategy.

The Results

The adoption of a commercial control model has had an immediate effect on the way the business is managed.

The structuring of information in a single database using BOARD, establishing detailed dimensions that can subsequently be aggregated, ensures both accuracy and flexibility in the navigation of data by all players within the commercial function.

The definition and control of key drivers enabled the logic to be



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identified for organisation of the budgeting process along the same lines followed by sales and distribution activities.

Accordingly, the commercial department now has the tools needed to establish targets and monitor their attainment; this is accompanied by targeting systems for the sales force, designed to minimize the variances between actual and budgeted data.

From the standpoint of the company's overall control model, the information output from the sales planning system represents a starting point for the economic-financial planning process which, consequently, can be developed with reference to more reliable and more broadly agreed data.

Future Developments

Various areas for future development are being looked at:

- The control structure: it is natural to think of enhancing the economic-financial planning and reporting model as a next step after working on the sales planning process.
- Integration of data sources: consistent with the work already performed in the reporting area, it would be possible to increase the acquisition of data from additional sources external to the company's transactional systems, thereby improving the completeness of the database and making the analysis of sales even more robust.

In this regard, models may be envisaged for buyer behaviour in order to develop a classification of customers based on purchasing frequency/loyalty, with a view to improving customer retention.