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Agile in the consumer-goods industry: The transformation of the brand manager

In the consumer-goods sector, agile ways of working aren't an all-or-nothing proposition. Success depends on knowing where and how to deploy them.

by Raphael Buck, Alex Harper, Julie Lowrie, and Sara Prince

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Despite a strong economy and low unemployment, many large consumer-goods brands can't seem to gain an edge. Over the last decade, incumbent companies have been consistently outmaneuvered by innovative upstart brands. Consider that the top 50 consumer-goods manufacturers account for nearly 60 percent of industry sales, yet capture a mere 2 percent of its growth.[1]

CEOs at many companies are nervous about their prospects and concerned about their business model and innovation (Exhibit 1).

And being innovative does pay off. Companies that are marketing and sales innovators are growing at 4.1 percentage points faster compared to lagging companies.[2]

To join the ranks of the growth leaders, consumer-goods companies must create an agile growth engine. That starts with bringing sales and marketing, including product development, into one dynamic, integrated organism. The results can be impressive. In product lines where agile is used, companies have seen as much as a fourfold increase in revenues, and the time it takes to get new marketing ideas in front of customers has compressed from multiple weeks or months to less than two weeks.[3]

[1] Nielsen eXtended All Outlet Combined, 2012–2017.
[2] McKinsey Predictive Consumer Growth (based on Capital IQ, Euromonitor, Mintel Global New Products Database, and annual reports), 2013–2017.
[3] David Edelman, Jason Heller, and Steven Spittaels, "Agile marketing: A step-by-step guide," November 2016, McKinsey.com.

Exhibit 1

Commercial leaders of consumer-goods companies are dissatisfied with the current state.

Businesses at risk	80%	of CEOs think their current business model is at risk
Too much focus on bottom line	79%	of CEOs are mostly focusing on bottom-line improvement to drive value for company
No systematic growth management	Less than 30%	of companies are systematically scanning for and evaluating new growth opportunities
Innovation under-performance	6%	of CEOs are satisfied with their companies' innovation performance

Source: Capital IQ, McKinsey proprietary market research

While many leaders expect this fusion to happen (Exhibit 2), companies have been slow to embrace agile ways of working, often because they are not sure how and where to apply them. The truth is that at consumer-goods companies, where most products are still sold through numerous physical outlets, agile adoption won't be an all-or-nothing proposition. Certain functions and capabilities should go agile and others shouldn't (Exhibit 3), but marketing and sales is the no-regrets place to start.

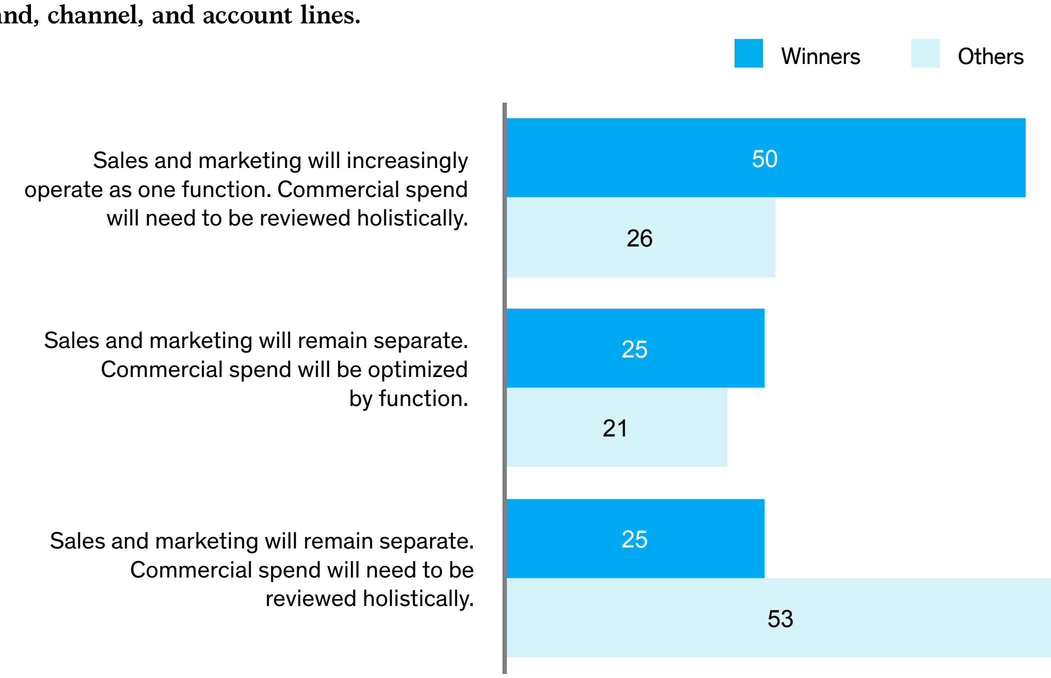
For example, field sales and key-account management are roles that should stay traditional because customers want one consistent point of contact through the year. All "specialist" roles, though, such as digital marketing and shopper insights, can be dramatically enhanced through agile practices.

This development is already starting to erode the traditional position of brand manager at the epicenter of the marketing and product universe. In an agile operating model, marketing and sales teams work closely together while brand managers instead collaborate with them full-time in quick iterations.

This is what we call "Brand Management 2.0." Most brand-management functions and decisions will be made collaboratively by these cross-functional teams (called squads) that are brought together to quickly and efficiently achieve specific marketing goals, such as the marketing of a new campaign or new outreach on social media. Brand managers often play team lead roles.

Exhibit 2

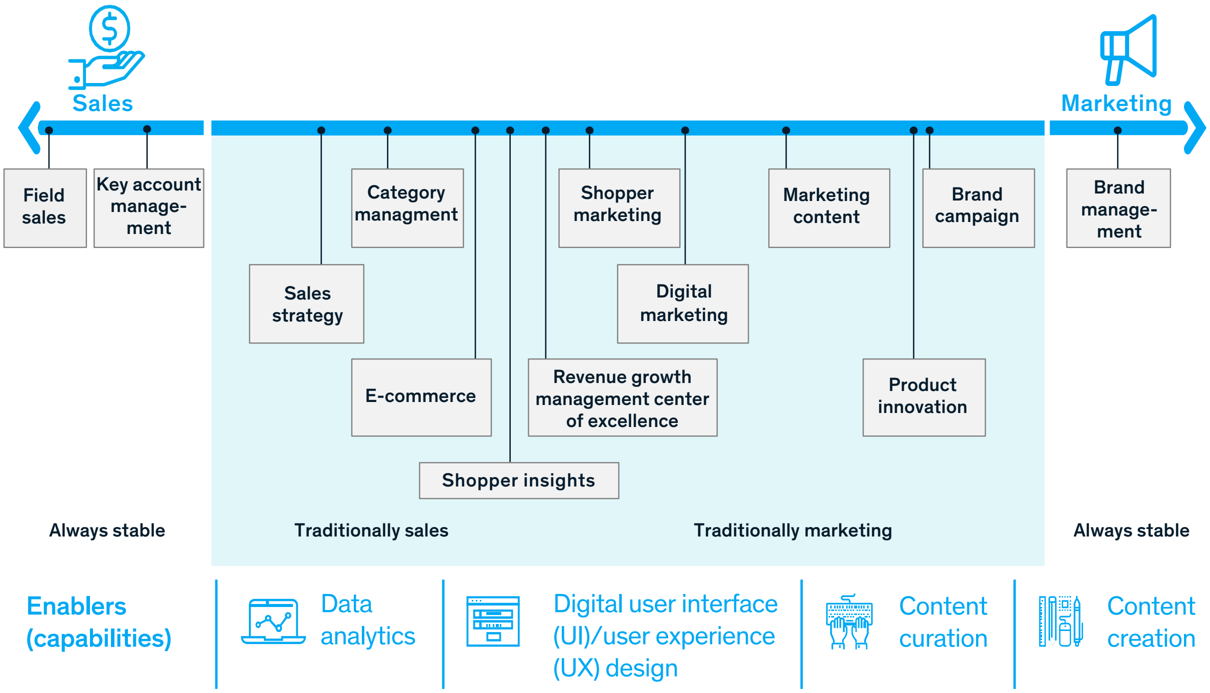
Growth leaders see sales and marketing increasingly operating as one function along category, brand, channel, and account lines.



Source: 2016 US Customer and Channel Management (CCM) Survey: [10] How do you see the role and interface of the sales and marketing functions evolving in your company?

Exhibit 3

Core activities should shift to an agile growth model.



Squads, however, do not wait for a brand manager to bless their decisions, though their work is periodically reviewed by the "tribe" leader, who oversees a group of squads around a common element, such as a segment or product. Tribe leaders, in turn, are lightly overseen by the marketing or sales organization's senior leaders, through meetings or progress reviews once every three or four weeks, for example (Exhibit 4).[4]

Setting up an integrated, agile approach to marketing, sales, and product development

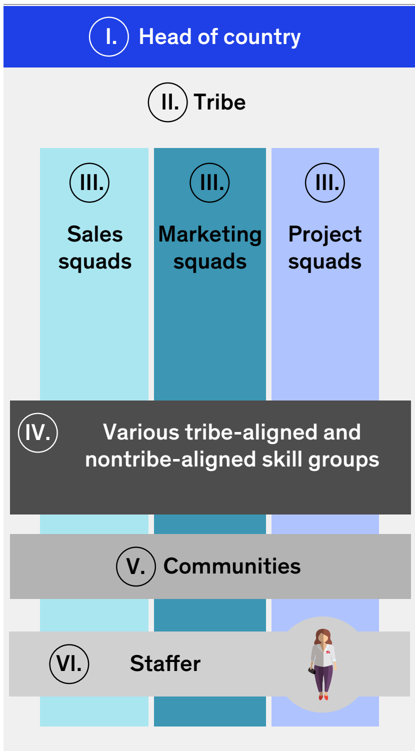
Agile is the key to unlocking the value that exists within large consumer-goods companies because it's a great mechanism for bringing the consumer view (via marketing) and the retailer perspective (via sales) together in collaborative units. When marketing brings detailed insights about the customer's target shoppers, for example, it is significantly easier for sales to recommend introducing a new SKU to the retailer. Each company will adopt it a little differently and on a varying scale depending on its product mix, but there are three stages companies can follow as they seek to better integrate marketing and sales.

While the starting point should depend on individual organizational structure and digital maturity, picking one pilot and scaling up within that function before moving to another area of the organization typically

[4] To learn more about how agile works in marketing, see David Edelman, Jason Heller, and Steven Spittaels, "Agile marketing: A step-by-step guide," November 2016, McKinsey.com.

Exhibit 4

Autonomous cross-functional teams called squads will sit within one or multiple tribes and communities.



I. Head of country
- **Responsible for overall country's/region's P&L**

II. Tribe
- **First division of commercial organization** at an actionable level by category or key account
- **Community "to which people belong"**

III. Squad
- **Cross-functional team,** which is dynamically staffed with people from different skill groups to deliver set objectives
- **Structured by account, brand, or individual project** (eg, Amazon squad, skincare in the United Kingdom)
- The squad is **dynamically staffed** and **not all members are 100% dedicated** (though the squad leader should be)
- **A group defined by "what people work on"**

IV. Skill group
- Group of individuals who have **specific skills,** similar to a subfunction (eg, precision marketing, data analytics, content creation)
- **Can be aligned to tribe or work across multiple tribes**

V. Communities
- **Cross-country groups** for sharing best practices and new opportunities
- Can be **organized by brand, platform, channel, etc**

VI. Staffer
- Person responsible for **staffing from skill groups to squads** by matching necessary skill sets
- **Is aligned either to a tribe or a nontribe skill group**

improves performance faster and is less chaotic. Key performance indicators (KPIs) for each squad should include both marketing metrics such as brand reach and consumer engagement—Net Promoter Score, online searches, shares, clicks, views, and so on—as well as sales markers such as category or brand-specific revenue or market-share growth across all channels.[5]

1. Learn through agile pilots

Large and medium consumer-goods players can dip their toes into the agile waters with a pilot that creates and tests new products or executes new explorations of digital channels. The aim is to assign people from marketing and sales to a squad to deliver on a specific goal—for example, improve conversion or spend per customer. These squads work in two- to four-week "sprints" that rapidly test ideas and iterate based on feedback from consumers and retailers. Functional specialists with expertise relevant to marketing and sales lend their insights on an as-needed basis. A designer, for example, might help develop personas, or an analytics expert might develop new metrics to track.

2. Expand teams

Once a pilot has proven effective, more squads can be developed to address other priorities, such as

[5] For further detail on shifting to agile, see "How to create an agile organization," October 2017, McKinsey.com, and Wouter Aghina, Aaron De Smet, Gerald Lackey, Michael Lurie, and Monica Murarka, "The five trademarks of agile organizations," January 2018, McKinsey.com.

revenue-growth management, product innovation, or campaign marketing (the acquisition of teen consumers, the development of skincare markets in the United Kingdom). With the proliferation of squads, they are then organized into tribes around a common element, perhaps according to product category (refrigerated foods, laundry care), consumer target (teens, new moms), or key account (Amazon, CVS, Walmart).

Anheuser-Busch InBev, for example, has adopted this model for innovation in its premium, healthy, purpose-driven nonalcoholic product offerings. Its "Beyond Beer" team consists of an integrated squad of people from sales and marketing. Johnson & Johnson reorganized its consumer organization to be more like a start-up, creating cross-functional squads focused on distinct consumer needs. It's even pushing its agency partners to adopt this model as well.

3. Expand skills

When a company has been able to successfully manage multiple squads and tribes in which roles fluidly move to where they're needed, people with additional skills can be integrated. This allows the company to take on ever-more-sophisticated programs, such as advanced personalization or dynamic pricing. People with the following capabilities (among others) become an essential, perhaps full-time, part of the squad:

— *Data analytics:* Advanced analytics (machine learning) can be used to inform a wide range of sales and marketing decisions made by the squads, from merchandising and pricing to digital marketing. Data-analytics experts collect, maintain, and organize large data sets from retail partners and online, direct-to-consumer interactions.

— *Shopper insights:* These experts use detailed retailer data about what and how often shoppers buy and geospatial analytics on how they shop to provide the squad with valuable insights that feed into decisions about in-store promotions and trade-terms negotiations.

— *Consumer insights:* A mix of retailer data and unstructured, online interactions can help squads identify gaps in the product range and find price sensitivities in different consumer segments. Microsegmenting of consumers can enable personalized marketing and promotions. Consumer-insights specialists also use social listening and other online data to track customer sentiment and identify its key drivers, which can inform everything from new promotional messages and targeted emails for specific microsegments to new pack sizes, new packaging, or new flavors.

— *Content creation:* This skill group comprises multiple studios, videographers, editors, and graphic artists from around the globe. A global or regional center of excellence for content creation enables a consistent visual message for brands, reduces content-production overtime costs, and saves local brand squads from having to create or assemble marketing content from scratch.

To make sure that squads align with a company's strategic priorities, there should be regular, light-touch governance, such as traditional progress reporting, but occurring less frequently and focusing on higher-level KPIs than in traditional programs. This should start with annual business reviews attended by a country general manager, a global head of R&D, and tribe leaders, who are often heads of product categories.

The tribe leaders then regularly connect with the squad leaders to plan, set targets, and agree on investment needs. Together, they come up with the targets, such as the customer segments where they should seek growth or the product types in which to innovate. Further quarterly planning between the squad leader and squad members defines the individual sprints that will help achieve the targets and the resources needed to staff them.

The exact number and composition of squads a consumer-goods company needs will depend on the brands a company owns and the consumer objectives it wants to achieve. As a general rule, the more digital sales or direct-to-consumer channels a brand has, the more integrated its commercial operations will need to be.

The operation of agile squads

Based on our experience and best practices at consumer packaged-goods companies (CPGs), we've identified four areas where integrated marketing and sales teams can have the most impact working in agile squads.

1. Campaign marketing

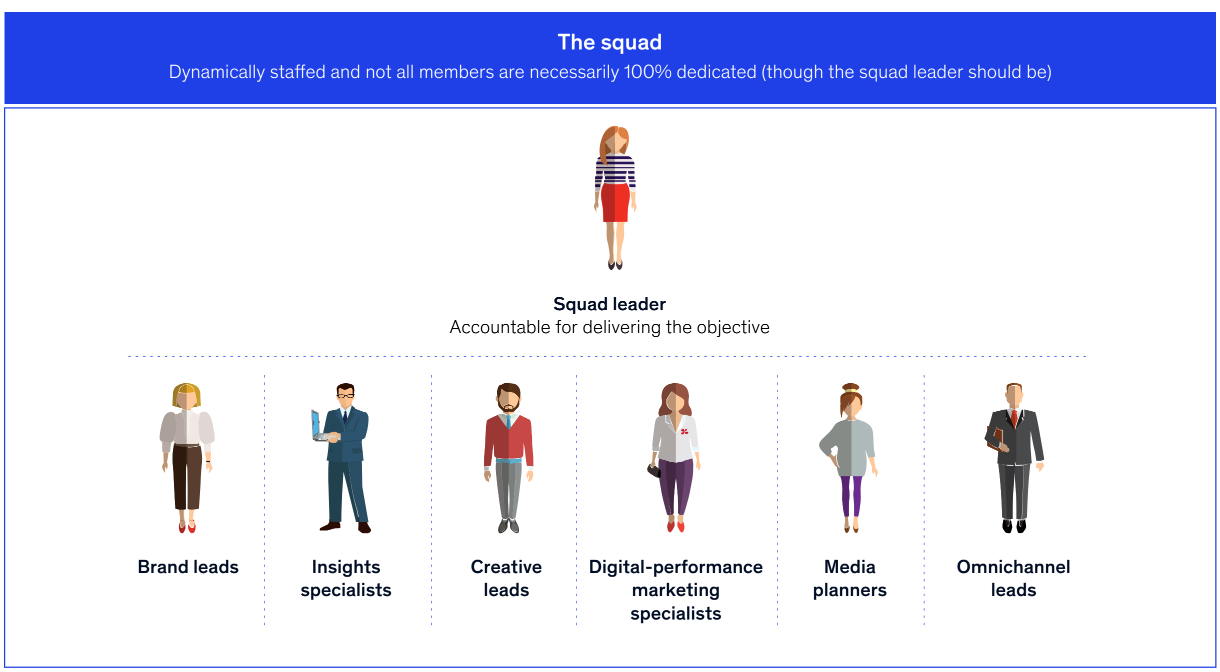
Marketing campaigns are often designed with a laser focus on the channel the campaign is targeting—designing a clickable email promotion or online ad, or reaching a target segment through TV. Rarely do campaigns take advantage of the valuable perspectives that can come from retailers. Agile campaign marketing squads do just this by having key customer-account heads and shopper-insight specialists sit side by side with the marketers (the brand manager/squad leader, media planner, creative-content lead, and consumer-insight experts) (Exhibit 5).

This not only generates a more complete view of the target consumers' habits and omnichannel behaviors but also leads to valuable insights about what's going on in the marketplace. When a CPG, for instance, launches a full marketing campaign for a brand, the team would include sales leads to help make sure that the campaign aligns with the commercialization strategy for in-store activation.

Exhibit 5

Campaign marketing can benefit from adopting a cross-functional agile working team model.

One unified objective: Increase sales and brand awareness with innovative and curated marketing content



2. Product innovation
Adopting agile for product development across a country or region can yield significant value by both boosting and speeding up innovation without elevating costs. For example, when the agile squads at Danone innovated across several product lines, they were able to deliver and test 15 market-ready products in 12 weeks.

Generally led by a product manager and operating at a regional or country level, product-innovation squads include every person who needs to weigh in on the viability of a new product:

— insights specialists, who analyze consumer demand though focus groups and surveys, evaluate if there is a need for the new products or pack sizes retailers are asking for, and analyze outcomes of previous product launches

— key-account liaisons, who source ideas from retailers and communicate launch timing, shopper events, and trade promotions to key retailers

— supply-chain specialists, who advise on cost, logistics implications, and delivery timelines for given product proposals

— brand-marketing experts, who analyze the potential impact on brand coherence, equity, and loyalty

— product engineers from R&D, who participate in the ideation and minimum viable product (MVP) development process.

3. Revenue-growth management
Revenue-growth management teams are now present in many CPGs, but many don't take advantage of agile ways of working. Headed by pricing managers, revenue-growth management squads combine marketing perspectives on category growth and product/pack development with a sales point of view on pricing and customer execution.

Advanced analytics informs each decision. Shopper-insights specialists analyze large pricing data sets in real time, do scenario modeling for different prices, and track sales across online and offline retailers. They also evaluate price gaps with competitors, look at how different product sizes and variations affect what consumers are willing to pay, and assess the effects of cost inflation. Key-account liaisons communicate to retailers the fact-based reasons for price changes and gather any feedback. Category-management specialists advise on mix changes and merchandising implications and identify gaps in product and variant range (especially for online SKUs). Trade-promotion specialists set growth-oriented goals for nonkey accounts and use trade-promotion management tools.

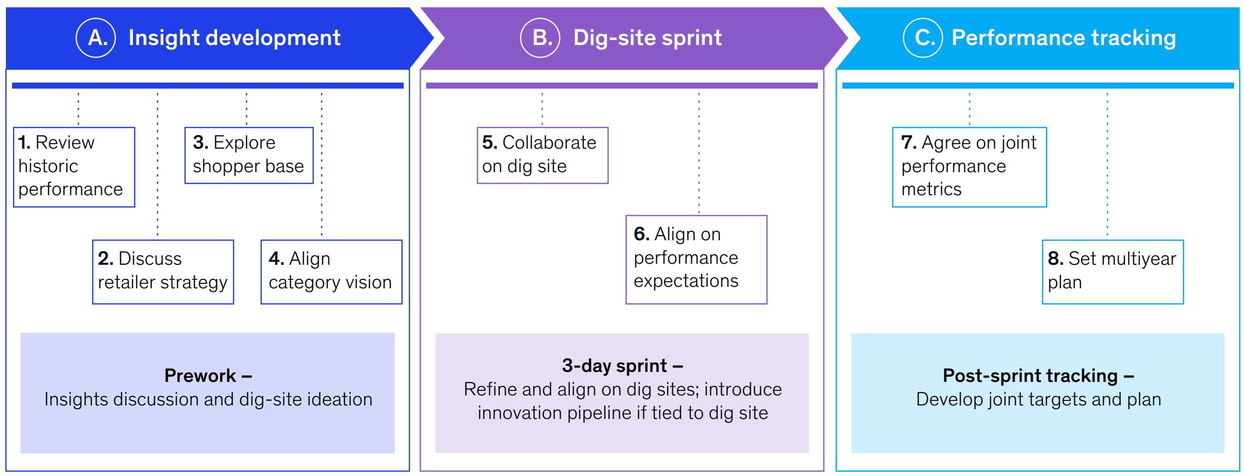
4. Customer collaboration
While key-account management (KAM) as a function stays stable, we have seen high impact when deploying agile to specific KAM growth opportunities. For example, in the case of big, strategic product innovations or launches, key-account squads can boost growth with a strategic retail partner. They conduct sprints to mine insights from shopper surveys, loyalty cards, and point-of-purchase data in order to identify new revenue opportunities, such as capturing an unmet consumer need for a niche segment critical to that retailer or making price changes or new trade investments.

The squad leader, who is the head of the account, may also lead "power partnership" meetings between the brand's key-account squad and an agile team from the retailer (Exhibit 6).

Online-only key-account squads focus on e-commerce accounts such as Amazon. Led by a regional head of e-commerce, the goals are to boost online sales and enhance the digital customer experience with that e-tailer. This could mean developing a brand-specific online interface customized for the e-tailer or devising ideas for online-exclusive or online-first products. Shopper and consumer insights are brought in to inform

Exhibit 6

Key-account squads can build agility with power partnerships.



negotiations about a brand's placement on the site and to help determine co-investments and data sharing with the e-tailer.

These shifts will also have implications for resourcing, with continued investments in key sprint capabilities such as insights and analytics, and renewed focus on right-sizing the brand organization, given the shift of work.

The most important move is for companies to just get started. Leaders shouldn't get tripped up trying to design the perfect agile organization but instead begin with a single pilot. From there, scale up and begin boldly leading and managing the cultural change that will invariably take time to get right. These shifts, as disruptive as they are, hold the keys to unlocking innovation and ramping up sustainable growth in the future.

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