

Making CHILD'S PLAY of M&A

For companies involved in mergers or acquisitions,
BI can be the missing piece of the jigsaw.

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For years, experts have agreed that the real M&A work begins when the deal is done. It involves helping employees make the transition in culture and process so that the company can reach the growth potential that drove the original deal.

What's new in the field of successfully managing mergers and acquisitions is a focus on all of the people involved in M&A activities, customers, partner and vendors – not just employees. Ensuring that everyone is vested in the change and has visibility into their impact on the bottom line in the new paradigm is critical to success.

Business process management (BPM) provides a unique opportunity for companies to impact the new culture almost immediately, while giving everyone in the value chain the immediate feedback and assurance they need to succeed.

BPM solutions can quickly integrate diverse IT solutions from the merged or acquired companies and provide insight into cost and profit drivers. With an easy-to-use solution, stakeholders can quickly see and analyze customer profitability, sales trends, pricing opportunities, service costs and more. Once that information is available, it can be acted upon quickly in order to drive productivity and profitability.

Importantly, BPM solutions help clarify significant business opportunities that may have been overlooked pre-merger because the basis for the argument was anecdotal. Using the power of the information and analysis of BPM, companies like Pepsi Bottling Ventures LLC (see sidebar) have created a sales powerhouse from two previ-

The lawyers, the accountants, the boards of directors, the owners, the unions and the stockholders have agreed: merging or acquiring another company is the nirvana of growth for your company. Targets have been identified and valued. Offers have been created, extended and negotiated. The deal is done. Integration must occur quickly, smoothly and with minimal impact on customers, partners and employees – and it's up to you and your team to make it happen.

Successfully completing a merger or acquisition is perhaps the most difficult management challenge on the business landscape today. Approximately 70-80 percent of mergers fail.

ously very strong sales teams. The ability to see, agree to, and act upon real information creates a culture of flexibility and trust that can drive sales exponentially.

Customers and customer focus often suffer in the merger or acquisition transition process. Using a BPM solution, the management team can quickly determine the value of each customer and take steps to improve return on every customer transaction. The visibility delivered by a BPM solution can help the new team focus on customer return while guiding the group through the process of identifying and improving less profitable customers. Critical to this element of BPM is the granularity at which the information can be delivered. Summarized or stock reports cannot provide the level of detail required for such mission-critical analysis. The information must be rich, accessible and ‘in the moment’.

A common target for cost reduction in an M&A environment is the infamous middle management layer. BPM solutions can help fill the gap left by down-sizing by reducing the need for functions that translate or report on productivity or profitability. A top-notch BPM solution lets individuals track their own performance and review the information they need to make intelligent business decisions instantly. This ability to deliver real-time, detailed information specific to a particular situation or individual is a key component of BPM.

“Integration – it’s up to you and your team to make it happen”

It’s common for BPM-savvy companies to leverage the intelligence they glean from their solution and use it to motivate their customers and vendors. Wal-Mart has consistently used their data superiority to create a competitive environment for their suppliers. Newly merged companies can use this same technique to understand and motivate their customers, vendors and suppliers and create a win-win environment.

The M&A experts talk about people as the most important element of a successful merger – what they are really talking about is productivity and profit. If you can closely communicate goals and objectives with the new team, the better chance you have to quickly achieve the goals of the plan. A solid BPM solution should be an important weapon in your success arsenal. ■

Best-of-breed strategy supports innovation

Innovation is the fuel that can take a new venture in an established market and create a more formidable presence in a short period of time. Pepsi Bottling Ventures, based in Raleigh, North Carolina, has taken business intelligence, married it with creative management, and created a marketing and sales powerhouse.

In 1999, Pepsi Bottling Ventures (PBV), a manufacturing and direct store distribution company, was formed. The new initiative merged teams and territories from two successful entities: a piece of Pepsi co-owned territory and a territory formerly serviced by PepCom, a subsidiary of the Japanese owned company Suntory. PBV was charged with providing beverage manufacturing, local marketing, sales and distribution for the Pepsi Cola territory covering much of North Carolina and Long Island, east of New York City. PBV handles 50 million cases per year and has 1700 employees. They represent Pepsi, Mountain Dew, Dr Pepper, Sierra Mist, AquaFina, Gatorade, SoBe and other brands.

As the new venture was being formed and the company was beginning to take shape, senior managers were ready to find ways to fine-tune and amplify the effectiveness of two very effective sales teams that had to learn to work together very quickly. The management team also wanted to position the company for future growth and possible acquisitions.

The management team was committed to innovation and they found a business intelligence solution that solved their immediate needs, molded to their future growth model, and created opportunities that helped drive their business toward even greater success. Pepsi Bottling Ventures selected Margin Minder by Salient Corporation as their business intelligence solution for profit and sales management.

Challenges

- Amplify sales effectiveness in a merger environment
- Combine two separate sales teams into one cohesive team
- Re-define sales roles and commission structures in a competitive environment
- Develop a disciplined price-setting process

One of the first challenges that PBV had as a merged company was to create an environment where all sales information was available through one system. As separate companies, PBG and PepCom were using two very different systems to manage pricing and profitability for the sales force. One company was using a customized application; the other was using an ERP solution. One system, although customized for the bottling business, was expensive and wasn't positioned for future growth. The other system was out-dated and could not meet future requirements.

In today's beverage marketplace, everything is moving quickly. PBV wanted to ensure that profits continued to grow and they wanted to find a cost-effective way to create price consistency in a fast-paced environment. At the same time, the senior managers theorized that the traditional method of sales and delivery in a DSD business – where route drivers provide both sales expertise and distribution/delivery – created overhead costs and inefficiencies that could be trimmed without sacrificing customer satisfaction. The team needed a business intelligence solution that would support their vision of the new sales model.

Solution

- Focus on a best-of-breed technology strategy and unify the sales information into one business intelligence solution
- Realign the sales and distribution functions
- Improve distribution by implementing dynamic routing
- Introduce a price-setting process known as "deal creation"

PBV's management team trusted that the only solution to meet their business intelligence needs was Margin Minder by Salient Corporation. By selecting a best-of-breed solution, the sales team was quickly equipped with a critical selling tool and the company was able to equalize the technology gap between the two sales teams. The granularity and finger-tip control of the information presented by Margin Minder allowed the sales team to understand market behavior and react accordingly to the needs of their individual accounts.

The PBV team used the information from Margin Minder to separate the sales function from the delivery function. This created an incremental gain in profitability and a bigger gain in sales execution. The field sales team is responsible for calling on customers and using their hand-held computers and their cell phones to automatically transmit orders to the distribution facilities. The delivery team is responsible for fulfilling the orders as quickly as possible. This means that every delivery is maximized for efficiency and the waste of energy, time, human resources and vehicle maintenance are limited.

Because sales information is readily available through Margin Minder, the sales management team is able to enforce pricing discipline. They can monitor information to ensure that deals are occurring as planned.

Using pricing and volume history from Margin Minder they can plan future pricing strategies in a process known as Deal Creation. This process allows PBV to be disciplined in

analyzing price and volume trends and maximize profitability.

Another important benefit of the intelligence provided by Salient's BI solution is the ability to track new product penetration and sales execution. Before Margin Minder, it would take the sales management team up to six weeks to ensure that every customer was fully equipped with product and promotional materials to launch a new product. Using Margin Minder, the sales team can set targets and monitor sales execution quickly and easily. Now sales execution can be measured in about two weeks.

Results

- Delivered over \$1.25M straight to the bottom line by reducing sales and delivery costs
- Reduced the new product sales execution cycle from 6 weeks to about 2 weeks
- Company is positioned for more growth through mergers and acquisitions

By reducing sales and delivery costs by 2-3 cents per case, this 50 million cases per year company estimates Margin Minder saves US\$1.25 million in margin cost every year. Their field sales team effectively pre-sells for the delivery team and sales execution is higher than ever. The management team also has fine-touch control and the ability to enforce pricing discipline in order to maximize profitability.

PBV, using a best-of-breed strategy, has bolstered its position in the marketplace. It has created an environment that can easily accommodate growth and provide real value to the company.